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Ernst & Whinney
1982 Financial Reporting Trends
Banking

A survey of banking industry reporting practices
as disclosed in 1981 published annual reports.

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Foreword

This publication reviews financial disclosures made in the annual reports of many of the nation's 500 largest banks. Selected significant changes or trends in reporting practices are discussed and examples of each are provided. These examples are taken directly from the surveyed companies' annual reports. Also, Chapters 1 and 2 include examples of a complete balance sheet and income statement which have been extracted from our publication *SEC Annual Reports—Banking Industry Supplement—1981.*

The banks included in our survey are the top 200 by deposit size as of December 31, 1981 and 67 randomly selected banks from those in the range of 201 to 500 by deposit size as published in the *American Banker.* We analyzed 252 annual reports to shareholders of those banks or their holding companies. Several bank holding companies own two or more of the top 200 banks and most of those bank subsidiaries do not publish separate reports. The reports of six banks in the top 200 were not available at the time of our survey.

Aggregate Financial Data for the Companies in the Survey (in millions)

	Commercial Banks[1]	Holding Companies	Total 1982 Survey Companies	Total 1981 Survey Companies[2]
Assets	$ 63,266	$1,401,852	$1,465,118	$1,355,213
Loans	37,413	830,485	867,898	755,655
Deposits	50,799	1,005,540	1,056,339	1,000,000
Total interest income	7,281	148,142	155,423	129,414
Income before security transactions	365	9,325	9,690	8,578
Net income	336	8,481	8,817	8,244

[1] Excludes banks owned by holding companies when both the bank and the holding company reports are in the survey.
[2] Taken from "Financial Reporting Trends—Banking 1981".

The tables in the following sections are shown in percentages. Unless the number of companies covered by the percentages is listed separately, the percentages are always based on the following:

	82	81
Commercial banks	38	60
Holding companies	214	190
Total	252	250

The survey data is shown by type of company only if significant differences were found.

For simplicity the following titles have been used throughout this publication in place of those used by the reporting entity:

Balance sheet

Statement of income

Statement of changes in shareholders' equity

Statement of changes in financial position

Notes to financial statements or footnotes

The analysis of published annual reports was generally confined to the formal financial statements. In most cases, if the survey item was not disclosed in the financial statements, it is not included in the analysis even though it may have been mentioned elsewhere in the annual report. Exceptions are clearly identified in the text or tables.

References to notes to financial statements have been omitted in the examples if the omissions do not affect the example in relation to the purpose of the survey. Company names are as they appear in the annual report except "the" has been eliminated when it is the first word in the name.

Ernst & Whinney has a substantial interest in and commitment to the banking industry, and this report has been prepared by us as a service to the banking industry. Of the 252 companies included in the 1982 survey, 59 are audit clients of our firm.

Additional copies of the 1982 edition of Financial Reporting Trends—Banking and copies of other E&W banking publications such as those listed below may be obtained from the Ernst & Whinney office that serves you or by writing to M. C. Nelson, Ernst & Whinney, 2000 National City Center, Cleveland, Ohio 44114.

Ernst & Whinney also publishes other publications for our banking clients, including those listed below. Many of those publications describe new or proposed accounting and financial reporting requirements that should be considered in preparing your bank's financial statements.

Current and Emerging Accounting and Financial Reporting Issues—Banking
Summarizes current and emerging issues which directly affect the banking industry.

Banking Bulletins
Provide up-to-date information on regulatory, accounting and tax developments which impact the banking industry.

Financial Reporting Developments
Provide in-depth coverage of all significant requirements or proposed requirements of the SEC, FASB, AICPA or other rule-making bodies. Special mid-year and year-end issues offer summary analyses of developments for the year to date. Frequently these discuss matters of particular interest to banks.

SEC Annual Reports—Banking Industry Supplement
Provides a reference to be used when preparing much of the financial discussion and data for inclusion in Form 10-Ks and annual shareholders reports.

Bank Regulatory Reporting and Disclosure Summary
Summarizes the financial reporting and disclosure requirements of regulatory filings which include financial statements of banks reporting to bank regulatory agencies under the Securities Exchange Act of 1934.

Evaluating Internal Control: Banking/A Guide for Management and Directors
Provides a practical approach to documenting and evaluating systems of internal accounting control that results in clear, easy to understand statements of how your bank or bank holding company can achieve a more sound system of controls.

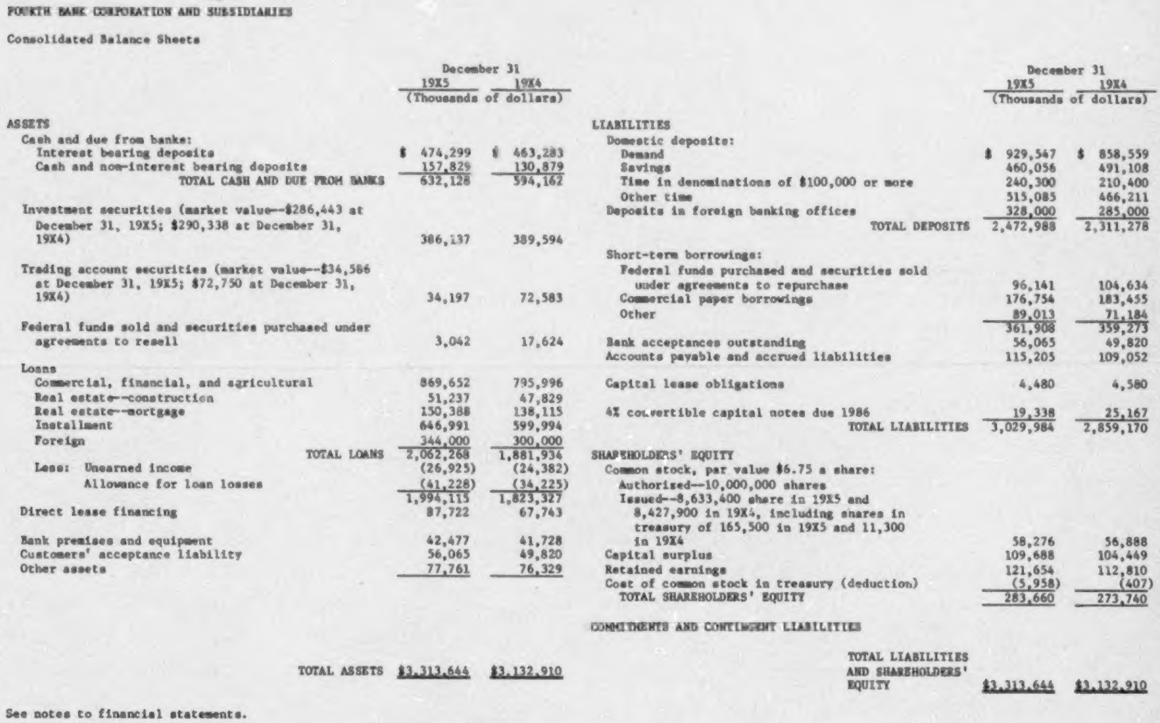
Ernst & Whinney Banking Committee
September, 1982

CHAPTER 1

Balance Sheet

Format—Fourth Bank Corporation

The following balance sheet of Fourth Bank Corporation and Subsidiaries has been extracted from E&W's "SEC Annual Reports—Banking Industry Supplement—1981." It is presented as an example of the general format of balance sheets presented in the annual reports to shareholders which were included in this year's survey. It is presented as an example only and not as a standard form to be followed by all banks.



FOURTH BANK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31 19X5	 19X4
	(Thousands of dollars)	
ASSETS		
Cash and due from banks:		
Interest bearing deposits	$ 474,299	$ 463,283
Cash and non-interest bearing deposits	157,829	130,879
TOTAL CASH AND DUE FROM BANKS	632,128	594,162
Investment securities (market value--$286,443 at December 31, 19X5; $290,338 at December 31, 19X4)	386,137	389,594
Trading account securities (market value--$34,586 at December 31, 19X5; $72,750 at December 31, 19X4)	34,197	72,583
Federal funds sold and securities purchased under agreements to resell	3,042	17,624
Loans		
Commercial, financial, and agricultural	869,652	795,996
Real estate--construction	51,237	47,829
Real estate--mortgage	150,388	138,115
Installment	646,991	599,994
Foreign	344,000	300,000
TOTAL LOANS	2,062,268	1,881,936
Less: Unearned income	(26,925)	(24,382)
Allowance for loan losses	(41,228)	(34,225)
	1,994,115	1,823,327
Direct lease financing	87,722	67,743
Bank premises and equipment	42,477	41,728
Customers' acceptance liability	56,065	49,820
Other assets	77,761	76,329
TOTAL ASSETS	$3,313,644	$3,132,910

	December 31 19X5	 19X4
	(Thousands of dollars)	
LIABILITIES		
Domestic deposits:		
Demand	$ 929,547	$ 858,559
Savings	460,056	491,108
Time in denominations of $100,000 or more	240,300	210,400
Other time	515,085	466,211
Deposits in foreign banking offices	328,000	285,000
TOTAL DEPOSITS	2,472,988	2,311,278
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	96,141	104,634
Commercial paper borrowings	176,754	183,455
Other	89,013	71,184
	361,908	359,273
Bank acceptances outstanding	56,065	49,820
Accounts payable and accrued liabilities	115,205	109,052
Capital lease obligations	4,480	4,580
4% convertible capital notes due 1986	19,338	25,167
TOTAL LIABILITIES	3,029,984	2,859,170
SHAREHOLDERS' EQUITY		
Common stock, par value $6.75 a share:		
Authorized--10,000,000 shares		
Issued--8,633,400 share in 19X5 and 8,427,900 in 19X4, including shares in treasury of 165,500 in 19X5 and 11,300 in 19X4	58,276	56,888
Capital surplus	109,688	104,449
Retained earnings	121,654	112,810
Cost of common stock in treasury (deduction)	(5,958)	(407)
TOTAL SHAREHOLDERS' EQUITY	283,660	273,740
COMMITMENTS AND CONTINGENT LIABILITIES		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,313,644	$3,132,910

See notes to financial statements.

Valuation of trading securities

Banks have valued trading securities at cost, market, or lower of cost or market. Article 9 of Regulation S-X requires that the value of these securities be disclosed parenthetically on the balance sheet if they are not carried at market.

In 1981 the aggregate number of commercial banks and holding companies reporting trading securities increased slightly from 1980 levels. Forty-two percent (38% in 1980) of the commercial banks and 64% (65% in 1980) of the holding companies disclosed that they had trading securities.

The percentage of surveyed companies valuing trading portfolios at market increased again in 1981, although the principal method of valuation is still lower of cost or market. Fifty-three percent (56% in

1980) of the survey companies valuing trading securities at either cost or lower of cost or market disclosed the market value of their portfolios, either in the footnotes or parenthetically on the balance sheet.

Table 1. Trading Securities

	81	80
Reports disclosing trading securities in which the securities were shown on the basis of:		
Cost	1%	1%
Lower of cost or market	60	63
Market	37	33
	98	97
Basis not disclosed	2	3
	100%	100%
Number of reports disclosing trading securities	153	147

Reports disclosing trading securities which disclosed the following policies:

	Commercial Banks		Holding Companies	
	81	80	81	80
Carrying basis	94%	100%	96%	95%
Method of determining cost of sales	19	17	17	35
Method of accounting for gains (losses) on sales	50	65	48	69
Method of accounting for income earned while holding	13	26	16	40

Restructured debt

FASB Statement No. 15 "Accounting by Debtors and Creditors for Troubled Debt Restructurings" applies to debt restructurings in troubled situations.

Under the Statement, a modification of the terms of a debt to reduce cash payments or extend the payment schedule would not result in a gain to the debtor or a loss to the creditor unless future cash flows (principal and interest *combined)* are less than the carrying amount of the payable and recorded investment in the receivable, respectively, prior to the restructuring. If cash flows are less, the difference would be a gain to the debtor and a loss to the creditor; neither would recognize interest expense or income, respectively, after the restructuring.

Debt satisfied in full by the transfer of receivables, real estate, or other assets, or by the granting of an equity interest, would result in the debtor realizing a gain and the creditor a loss to the extent that the carrying amount of the payable settled and recorded investment in the receivable satisfied exceeded the fair market value of the assets transferred or equity interest granted. The debtor also would realize a gain or loss for any difference between the carrying amount of the assets transferred and their fair market value.

Disclosures of troubled debt restructurings are required by creditors as of the date of each balance sheet.

The following table indicates the comparative percentages of surveyed companies which disclosed information about restructured debt and the types of disclosures made. In 1981 approximately 95% (94% in 1980) of the disclosures related to loans and 5% (6% in 1980) related to investment securities.

Table 2. Restructured Debt

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports that:				
Included disclosures of restructured debt	47%	40%	56%	58%
Did not include disclosures of restructured debt	53	60	44	42
	100%	100%	100%	100%
Reports disclosing restructurings that included:				
The amount of restructured debt	44%	46%	62%	68%
The aggregate investment in modified loans	83	83	93	92
The amount of interest income recognized	39	63	65	75
The amount of interest income which would have been recognized under original terms	39	63	64	74
Commitments of additional funds to restructured debtors	11	13	32	41

Nonaccrual loans

Table 3 indicates companies disclosing the amount of nonaccrual loans in the notes to financial statements. It indicates the percentages of surveyed companies that also disclosed the amount of interest income recognized and the amount that would have been recognized under original terms of these loans. Forty-eight percent of the surveyed companies in both 1981 and 1980 combined the disclosure relating to nonaccrual loans with that relating to restructured debt.

Table 3. Nonaccrual Loans

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports disclosing amount of:				
Nonaccrual loans	61%	45%	59%	56%
Interest income recognized from such loans	29	28	33	42
Interest income that would have been recognized under the original terms of such loans	29	32	34	42

Lease financing receivables

Sixty-one percent of the surveyed companies disclosed lease financing receivable transactions. Thirty-four percent of the surveyed companies that made lessor disclosures also disclosed leveraged lease financing activity. FASB Statement No. 13 requires disclosure of the net investment in leveraged leases on the balance sheet, and disclosure of the components of the net investment in leveraged leases in the notes to financial statements when leveraged leasing in terms of revenue, net income or assets is a significant part of an entity's business activities. The income statement or related notes, should separately present:

Pretax income from leveraged leases,

The tax effect of the pretax income from leveraged leases, and

The amount of investment tax credit recognized as income.

Some bank and bank holding company lessors have followed the practice of reporting the amortization of investment tax credit on leveraged lease financing as operating income rather than as a component of the income tax provision. They view the investment tax credit amortization as an integral part of their rate of return on the lease financing. Other banks have followed the practice of reporting the amortization of such investment tax credits as a component of the income tax provision.

Table 4. Lease Financing Disclosures*

	Commercial Banks	Holding Companies
Reports disclosing lease financing made the disclosure in:		
Balance sheet only	44%	18%
Balance sheet and notes to financial statements	17	6
Balance sheet, statement of income and notes to financial statements	28	58
Summary of accounting policies or notes to financial statements only	11	18
	100%	100%
Reports disclosing lease financing that included disclosure of:		
Method of accounting	33%	77%
Lease financing income as a separate caption in the income statement	44	73
Components of net investment	28	38
Executory costs	6	2
Minimum maturities of lease receivable for 5 years	6	11
Amount of initial direct costs recognized in income		3
Leveraged leases	22	35
Operating leases	6	3
Investment tax credits included in lease financing income	6	23
Number of reports disclosing lease financing	18	136

*Data not surveyed in 1980.

NOW accounts

Banks nationwide began offering NOW accounts to customers on January 1, 1981. Thirty-two percent of the surveyed companies made separate NOW account disclosures. Table 5 indicates the methods of disclosure for NOW accounts.

Table 5. NOW Accounts

	Commercial Banks	Holding Companies
Reports disclosing NOW accounts that made the disclosure in:		
Balance sheet only	70%	84%
Balance sheet and notes to financial statements	10	10
Notes to financial statements only	20	6
	100%	100%
Reports disclosing NOW accounts classified the accounts as:		
A separate deposit classification	80%	68%
A component of the savings account classification		26
A component of the demand deposit account classification	20	6
	100%	100%
Number of reports making separate disclosure of NOW accounts	10	70

Borrowings

In 1981, 88% (84% in 1980) of the surveyed companies included a footnote presenting short-term borrowings information. Table 6 summarizes information included in footnotes disclosing short-term borrowings information.

Table 6. Short-Term Borrowings Footnote Disclosure

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports with a short-term borrowings footnote that disclosed the following:				
Compensating balance arrangements	5%	12%	29%	36%
Average interest rate in effect during period	91	85	94	93
Average interest rate in effect at year-end	73	67	79	79
Average debt outstanding during period	91	85	93	93
Maximum debt outstanding during period	86	85	94	94
Lines of credit supporting short-term borrowings	9	15	57	57
Number of reports included in this table	22	33	199	177

In 1981, 91% (89% in 1980) of the surveyed companies had long-term debt. The components of long-term debt were disclosed in the notes to financial statements by 93% (91% in 1980) of these companies while 7% (9% in 1980) made this disclosure on the balance sheet.

Both the SEC and the federal bank regulators include in their securities disclosure rules a requirement to disclose aggregate long-term debt maturities and sinking fund requirements for each of the five years following the date of the balance sheet. FASB Statement No. 47, which became effective for fiscal years ending after June 15, 1981, requires disclosure of the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings for each of the five years following the date of the latest balance sheet presented. Of those companies having long-term debt that were included in the 1981 survey, 73% (76% in 1980) of the commercial banks and 79% (84% in 1980) of the holding companies disclosed maturities of long-term debt.

Table 7 indicates that most commercial banks and holding companies included subordinated or capital notes and debentures in the liabilities section of the balance sheet in accordance with Article 9 of Regulation S-X.

Table 7. Subordinated or Capital Notes and Debentures

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports with subordinated or capital notes and debentures which disclosed them in the:				
Liabilities section	66%	72%	97%	97%
Between liabilities and equity section	34	28	3	3
	100%	100%	100%	100%
Number of reports included in this table	29	46	144	147

Bankers acceptances

The use of bankers acceptances has been increasing dramatically and in some banks has reached the maximum level permitted by the Federal Reserve Board (FRB). Because acceptances are exempt from reserve requirements if certain conditions are met, many banks and bank holding companies find this form of financing advantageous.

Fifty percent of the surveyed commercial banks and 63% of the surveyed holding companies disclosed bankers acceptances. All of the surveyed companies that disclosed bankers acceptances disclosed acceptances outstanding and customers liability under acceptances outstanding on the face of the balance sheet.

Table 8 summarizes the growth of balances of bankers acceptances outstanding reported by the surveyed companies that disclosed bankers acceptances for both years.

Table 8. Bankers Acceptances Outstanding*

	Commercial Banks	Holding Companies
Percentage of companies disclosing bankers acceptances that disclosed:		
Increased balances	75%	73%
Decreased balances	25	27
	100%	100%
Percentage increase (1980-1981) in bankers acceptances outstanding for those companies that disclosed increased balances:		
0-50%	80%	47%
50-100%		23
100-150%	7	10
Over 150%	13	20
	100%	100%

*Data not surveyed in 1980

Integrated reports

The SEC permits annual shareholders reports prepared in accordance with the requirements of Form 10-K to be filed with the Commission in lieu of preparing a separate Form 10-K and annual shareholders report. Guide 4 ("Integrated Reports to Shareholders") of the "Guides for Preparation and Filings of Reports and Registration Statements under the Securities Exchange Act of 1934" lists several conditions that must be satisfied when integrating the annual shareholders report with Form 10-K:

1. The report must contain all the information required by Form 10-K, including the cover page and required signatures. A cross-reference sheet should be included indicating the location of information required by the items of the Form. When responses to certain items of the Form are separated within the report, an appropriate cross-reference should be made.
2. Any pictorial or graphic representations should comply with the provisions of Guide 8 of the "Guides for Preparation and Filing of Registration Statements under the Securities Act of 1933," which allows for photographic reproductions of management, principal properties, or important products where they do not create a misleading impression. However, artists', engineers', or architects' conceptions are not permissable because they may be misleading.
3. The report should contain a disclaimer of any action by the SEC to approve or disapprove the report or to pass upon its accuracy or adequacy.

Information contained in integrated annual reports, other than that required by the Form 10-K instructions, is not deemed "filed" for purposes of liability under Section 18 of the 1934 Act.

Integrated reporting rules were followed by 14% (12% in 1980) of the surveyed holding companies in 1981.

EXAMPLES Trading securities at market (summary of accounting policies)

CENTRAN CORPORATION

Trading Account Assets

Trading account assets include debt securities and certain money market instruments purchased for trading purposes. Trading account liabilities incurred in short sale transactions are included in other short-term borrowings. All trading account assets and liabilities are carried at market value. Gains and losses on sales or purchases to cover short sales, market value adjustments, and income other than interest relating to trading and security underwriting activities are reported as trading account income in the Consolidated Statement of Operations.

HOWARD BANK

Securities

Investment securities are stated at cost, adjusted for amortization of premiums and accretion of discounts, both computed by the straight-line method. The adjusted cost of the specific security sold is used to compute gain or loss on its sale.

Trading account securities are stated at market value. Gains and losses on sales of trading account securities (based on the cost of the specific security sold) and the effects of adjustments to market value are included in other income.

NATIONAL CITY CORPORATION

Investment Securities and Trading Account

Investment securities are carried at cost adjusted for amortization of premiums and accretion of discounts. The adjusted cost of specific securities sold is used to compute gain or loss on sales.

Trading account assets and liabilities are stated at market. Interest income earned on trading account assets and interest expense incurred on trading account liabilities are recorded as trading account interest, net. Gains and losses on the disposition of these assets and liabilities and adjustments to market are recorded as trading account profits or losses.

Trading account profits or losses also include gains and losses and adjustments to market on interest rate futures and forward contracts related to trading account assets and liabilities.

Interest rate futures and forward contracts related to asset and liability positions other than in the trading account are accounted for in symmetry between the asset or liability and the futures or forward contracts.

J.P. MORGAN & CO. INCORPORATED

Securities

Securities are held for both investment and trading purposes. Debt securities held for investment are carried at cost, adjusted for amortization of premiums and discounts. Equity securities included in investment securities are carried at the lower of aggregate cost or market value. Equity securities of companies in which the percentage of ownership is 20% or more but not more than 50% are carried generally at underlying equity value and are included in "other assets" in the consolidated balance sheet. Gains and losses on dispositions of investment securities are computed by the specific identification cost method.

Trading account securities are carried at market value. Interest-rate futures and forward contract commitments, which are not reflected in the consolidated balance sheet, are traded as part of the trading account activities. Gains and losses on trading account activities are considered to be a normal part of operations and are recognized currently in the caption "trading account profits and commissions."

EXAMPLES Trading securities at lower of cost or market (summary of accounting policies)

UNITED AMERICAN BANK IN KNOXVILLE

Trading Account Securities

Trading account securities are stated at the lower of cost or market value. Interest and fees earned on commercial paper and trading account securities are included in total interest income. Gains and losses on these securities are separately stated under non-interest income. Trading account activities include transactions involving futures and forward contracts. Such contracts are valued at the lower of cost or market on a monthly basis and gains or losses are also included in non-interest income.

ALLIED BANCSHARES, INC.

Trading Account Securities

Trading account securities are reported at the lower of cost or current market. Trading account profits are included in other operating revenue in the consolidated statements of earnings. Trading profits reflect gains or losses on the sale of, and valuation adjustments to, the carrying value of trading account securities. The basis of securities sold is determined by specific identification.

DOMINION BANKSHARES CORPORATION

Securities

Investment securities are stated at cost, adjusted for amortization of premiums and accretion of discounts on a straight-line basis. Trading account securities are carried at the lower of original cost or market. Gains and losses on sales of investment securities, computed on the basis of specific identification of the adjusted cost of each security along with applicable income taxes, are shown separately in the consolidated statements of income. Gains and losses on sales of trading account securities are considered part of normal operations and included in other income. Financial futures contracts utilized to hedge interest rate risks associated with the investment, trading account and asset/liability management functions represent future commitments and are not reflected on the balance sheet. Outstanding interest rate futures are valued at market, and gains or losses are reported in other income.

NCNB CORPORATION

Securities

Securities are held for both investment and trading purposes. Investment securities include both marketable equity securities and debt securities. Marketable equity securities are stated at the lower of aggregate cost or market value. The excess of aggregate cost over aggregate market value has been included as a reduction of shareholders' equity. Debt securities are stated at cost, adjusted for amortization of premium and accretion of discount on a straight-line basis. Gains or losses from the sale of both marketable equity and debt securities are recognized upon realization.

Trading account securities are stated at the lower of cost or market value. Monthly market adjustments, fees, and gains or losses on the sale of trading account securities are included in other operating income. Interest earned on trading account securities and all earnings from money market-instruments are included in income from earning assets.

EXAMPLES Trading securities at lower of cost or market (balance sheet)

INDUSTRIAL NATIONAL CORPORATION

Portfolio securities:		
U.S. Treasury and Government agencies	$413,633	$527,896
State and municipal	190,778	236,636
Other	5,900	6,564
Total portfolio securities (market value: $559,752 and $716,689 in 1981 and 1980)	610,311	771,096
Trading securities (cost: $18,067 and $13,874 in 1981 and 1980)	17,622	13,802

FIRST & MERCHANTS CORPORATION

Investment securities		
U.S. Government	$ 80,767	$109,329
State and municipal	187,383	214,577
Other	29,931	13,569
Total investment securities (Market value of $238,148 in 1981 and $288,598 in 1980)	298,081	337,475
Trading account securities (Market value of $15,304 in 1981 and $573 in 1980)	15,293	565

FIRST OKLAHOMA BANCORPORATION, INC.

Investment securities		
U.S. Government obligations	$ 23,990	$ 33,853
Obligations of state and political subdivisions	246,125	273,655
Other securities	23,426	25,435
Total investment securities (market value of $208,075 in 1981 and $249,533 in 1980)	293,541	332,943
Trading account securities (market value of $38,816 in 1981 and $14,918 in 1980)	38,211	14,844

EXAMPLE Valuation allowance for investment securities (footnotes)

FIRST OKLAHOMA BANCORPORATION, INC.

Investment Securities

A comparison of the recorded value and market value of investment securities as of December 31 is summarized as follows (in thousands):

	1982		1980	
	Recorded Value	Market Value	Recorded Value	Market Value
Bank				
U.S. Government obligations	$ 22,165	$ 20,570	$ 31,495	$ 30,144
Obligations of state and political subdivisions	246,125	164,180	273,655	193,124
Other securities	2,954	2,954	2,966	2,966
	271,244	187,704	308,116	226,234
Parent company and other subsidiaries				
U.S. Government obligations	1,825	1,383	2,358	1,983
Preferred stocks and other	20,472	18,988	22,469	21,316
Total investment securities	$293,541	$208,075	$332,943	$249,533

The valuation allowance for the aggregate cost of the marketable preferred stocks in excess of the aggregate market value was $3,127,814 at December 31, 1981 and $2,989,488 at December 31, 1980. During 1981, a portion of the marketable equity securities were sold for a gross realized gain of $355,214. As of December 31, 1981, gross unrealized gains of $1,475,500 and losses of $4,603,314 were calculated on the Company's marketable equity portfolio. The recorded value of obligations of state and political subdivisions has been reduced by a valuation allowance established for permanent impairment of certain of these securities. The valuation allowance for these securities totalled $1,430,112 and $1,256,428 at December 31, 1981 and 1980, respectively.

The recorded value of securities and other assets pledged or restricted by the Bank to secure public and trust funds on deposit, securities and other assets pledged or restricted by the Bank to secure public and trust funds on deposit, securities sold under repurchase agreements and for other purposes amounted to approximately $223,000,000 at December 31, 1981 and $427,000,000 at December 31, 1980.

EXAMPLES Investment securities carried using effective yield method (summary of accounting policies)

FIRST VALLEY CORPORATION

Investment Securities

Securities are carried at cost adjusted for accretion of discount and amortization of premium using straight-line method to call or maturity for securities purchased prior to January 1, 1981. Purchases subsequent to this date are carried using the effective yield method. This change had an insignificant effect on results of operations. Gains or losses on the sale of securities are shown, net of related taxes, in the Consolidated Statement of Income.

EXAMPLES Non-performing loans (loans footnote)

NATIONAL CENTRAL FINANCIAL CORPORATION

Loans

The following summary provides data on non-performing loans:

	Year Ended December 31, 1981		
	Non-Accrual and Reduced Rate Loans	Restructured Loans	Total
Aggregate recorded balances at year-end	$14,976,000	$3,380,000	$18,356,000
Interest income which would have been recorded on all non-performing loans outstanding during the year	3,394,000	427,000	3,821,000
Interest income recorded on all non-performing loans outstanding during the year	768,000	161,000	929,000
Commitments for additional borrowings	-0-	250,000	250,000

	Year Ended December 31, 1980		
	Non-Accrual and Reduced Rate Loans	Restructured Loans	Total
Aggregate recorded balances at year-end	$ 7,996,000	$1,928,000	$ 9,924,000
Interest income which would have been recorded on all non-performing loans outstanding during the year	1,262,000	541,000	1,803,000
Interest income recorded on all non-performing loans outstanding during the year	120,000	134,000	254,000
Commitments for additional borrowings	-0-	-0-	-0-

Restructured loans are those whereby a debtor was granted a concession in the interest rate or a concession in other terms of the original loan agreement due to the financial difficulties of the debtor.

Non-accrual and reduced rate loans are those on which the collectibility of the full amount of interest is in question, but Management deems the principal to be substantially collectible. As such, interest is recognized only as received or at a reduced rate.

Bankers' acceptances have been reported as money market investments. Prior to 1981, they were reported as loans. All prior year consolidated financial statement amounts have been reclassified to conform with the 1981 presentation.

NORTHWESTERN FINANCIAL CORPORATION

Loans

Loans at December 31, 1981 and 1980 are summarized as follows:

	1981	1980
	(in thousands)	
Commercial, financial and agricultural	$ 354,519	$ 275,826
Real estate--construction	66,411	60,808
Real estate--mortgage	382,840	363,932
Consumer	371,485	375,240
Total	$1,175,255	$1,075,806

Included in the table above are loans aggregating $21,723,000 at December 31, 1981 and $16,302,000 at December 31, 1980 which are considered non-earning loans, generally those being ninety days or more past due as to interest or principal payments. Interest lost on these loans amounted to $2,177,000 for 1981, $1,299,000 for 1980 and $757,000 for 1979 while interest income earned amounted to $170,000 for 1981, $465,000 for 1980 and $264,000 for 1979.

Also included in the table above are loans aggregating $3,234,000 at December 31, 1981 and $926,000 at December 31, 1980 which are considered renegotiated loans, generally those the terms of which have been renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower. No interest was lost on these loans for 1981, 1980 and 1979 and, at December 31, 1981, the Company was not committed to lend any additional funds to debtors whose loans had been renegotiated.

PROVIDENT NATIONAL CORPORATION

Loans

Loans and lease financing outstanding at December 31, 1981 and 1980 are summarized as follows:

	1981			1980		
	Bank	PNIC	Consolidated	Bank	PNIC	Consolidated
Commercial, financial and agricultural	$ 826,540	$25,832	$ 852,372	$ 752,278	$25,668	$ 777,962
Real estate:						
Construction	102,395		102,395	100,100	165	100,265
Mortgages	297,471	13,035	310,506	314,248	13,153	327,401
Installment	252,204		252,204	237,681		237,681
Foreign	137,923		137,923	145,465		145,465
Net investment in direct financing lease (Note 16)		11,117			11,364	
Total	$1,616,533	$49,984	$1,655,400	$1,549,772	$50,350	$1,588,774

At December 31, 1981, loans amounting to $38,543,000 were pledged as security for public and trust deposits.

Reduced Rate Loans

Reduced rate loans are those loans on which interest income is recorded only when received (cash basis loans) and loans on which the terms have been renegotiated due to deterioration in the borrower's financial condition (renegotiated loans). Cash basis and renegotiated loans at December 31, 1981, 1980 and 1979 along with the related impact on interest income for the years then ended are summarized below.

	1981			1980			1979		
	Bank	PNIC	Consolidated	Bank	PNIC	Consolidated	Bank	PNIC	Consolidated
Reduced rate loans:									
Cash basis	$31,035		$31,035	$20,633	$ 165	$20,798	$29,186	$ 383	$29,569
Renegotiated	5,602	$ 9,981	15,583	7,874	9,981	17,855	11,752	9,981	21,733
	$36,637	$ 9,981	$46,618	$28,507	$10,146	$38,653	$40,938	$10,364	$51,302
Interest:									
As originally contracted	$ 6,369	$ 2,307	$ 8,676	$ 6,899	$ 2,017	$ 8,916	$ 6,568	$ 1,730	$ 8,298
Recognized	796	483	1,279	964	414	1,378	1,467	294	1,761
Not earned as income	$ 5,573	$ 1,824	$ 7,397	$ 5,935	$ 1,603	$ 7,538	$ 5,101	$ 1,436	$ 6,537

At December 31, 1981, there were outstanding commitments to lend additional funds on these loans totalling $1,100,000.

	December 31, 1981			December 31, 1980		
	Bank	PNIC	Consolidated	Bank	PNIC	Consolidated
Other real estate owned	$1,606	$450	$1,639	$1,906	$420	$1,906

EXAMPLES Non-performing loans (allowance for loan losses footnote)

SOUTH CAROLINA NATIONAL CORPORATION

Reserve for Possible Credit Losses

Transactions in the reserve for possible credit losses were:

	1981			1980			1979		
	The Bank	Finance Subsidiaries	Consolidated	The Bank	Finance Subsidiaries	Consolidated	The Bank	Finance Subsidiaries	Consolidated
(Dollars in Thousands)									
Balance at beginning of period	$10,037	$ 1,069	$11,106	$ 9,611	$ 625	$10,236	$ 8,864	$ 550	$ 9,414
Reserve purchased-finance subsidiary	-	-	-	-	513	513	-	-	-
Provision charged to operating expenses	4,200	821	5,021	3,600	800	4,400	3,912	587	4,499
Recoveries of charged-off loans	1,683	499	2,182	1,491	634	2,125	1,806	207	2,013
Loans charged off	(3,649)	(1,544)	(5,193)	(4,665)	(1,503)	(6,168)	(4,971)	(719)	(5,690)
Balance at end of period	$12,271	$ 845	$13,116	$10,037	$ 1,069	$11,106	$ 9,611	$ 625	$10,236

Total loans of the Company include the following loans, all of which are held by The Bank, on which either the interest is not being accrued (cash basis) or the interest rates have been renegotiated:

(Dollars in Thousands)	1981	1980
Cash basis	$10,987	$10,366
Renegotiated rates	2,642	-
	$13,629	$10,366

If these loans had been current and outstanding through the period or since origination, interest income relating to these loans would have been $2,191,000 and $1,194,000 in 1981 and 1980, respectively. Recorded interest income on these loans was $533,000 and $156,000 in 1981 and 1980, respectively.

At December 31, 1981, The South Carolina National Bank had made no commitments to lend additional funds to debtors owing loans whose terms have been modified in troubled debt restructurings.

CBT CORPORATION

Reserve for loan losses

Changes in the reserve for loan losses were as follows:

	1981	1980	1979
	(in Thousands)		
Balance at Beginning of Year	$17,907	$16,042	$ 14,694
Provision for Loan Losses	11,604	8,663	7,694
Loan Losses	(9,801)	(9,952)	(10,076)
Loan Recoveries	4,568	2,973	3,730
Reserves of Acquired Banks		181	
Balance at End of Year	$24,278	$17,907	$ 16,042

The following analysis of non-performing loans at December 31, 1981 and 1980 includes real estate acquired through foreclosure since these assets are received in satisfaction of non-performing loans.

Non-Performing Loan Balances	December 31, 1981	December 31, 1980
	(in Thousands)	
Non-Accruing	$20,997	$12,498
Renegotiated	4,101	1,907
Foreclosed Real Estate	6,341	4,406
Total Non-Performing Loans	$31,439	$18,811
Non-Performing Loans as % of Year-End Loans and Foreclosed Real Estate	1.56%	1.07%

(continued)

In addition to non-performing loans, delinquent loans contractually past due more than 90 days as to principal and interest totalled $27.2 million for 1981 and $21.3 million for 1980. Of these amounts, consumer loans accounted for $2.2 million and $2.1 million, respectively.

The following table presents the amount of additional interest income which would have been recorded from non-accruing and renegotiated loans if all such loans had been current and in accordance with original terms:

Non-Performing Loan Interest Income Effect	1981	1980	1979
	(in Thousands)		
Interest Income per Original Terms:			
Non-Accruing Loans	$ 4,955	$ 2,377	$ 3,117
Renegotiated Loans	648	218	454
	5,603	2,595	3,571
Interest Income Recorded:			
Non-Accruing Loans	1,511	736	1,637
Renegotiated Loans	285	218	355
	1,796	954	1,992
Effect on Interest Income	$(3,807)	$(1,641)	$(1,579)

FIRST AMERICAN BANK CORPORATION

Nonperforming Loans and Allowance for Loan Losses

An analysis of transactions in the allowance for loan losses is presented as follows:

	Year Ended December 31,		
	1981	1980	1979
Balance, beginning of period	$13,606,000	$10,418,000	$ 9,764,000
Additions:			
Provision charged against income	7,493,000	4,446,000	3,336,000
Valuation reserves of acquired banks	8,079,000	3,132,000	-
Recoveries	2,695,000	1,601,000	1,154,000
	31,873,000	19,597,000	14,254,000
Less loans charged-off	7,640,000	5,991,000	3,836,000
Balance, end of period	$24,233,000	$13,606,000	$10,418,000

Management has evaluated the loan portfolio and determined that the balance in the allowance for loan losses is adequate in light of the composition of the loan portfolio, economic conditions and other pertinent factors.

Nonperforming loans consist of both non-accrual loans and renegotiated loans (loans on which concessions of terms have been granted because of a borrower's financial difficulty). Nonperforming loans of $48,666,000 (including $31,341,000 from 1981 acquisitions) and $9,500,000 were outstanding at December 31, 1981 and 1980, respectively. Interest income for the year ended December 31, 1981 would have increased by approximately $1,738,000 if these loans had earned interest at the full contract rate. Interest income lost on nonperforming loans had no material effect on earnings for the year ended December 31, 1980.

EXAMPLES Non-performing loans (separate footnote)

FIRST COMMERCE CORPORATION

Restructured Assets

The Bank has restructured various of its loans as a result of financial difficulties of the borrowers. The following is a summary of the balances outstanding for each category of restructured assets, the interest that would have been earned at the original contractual rate and interest earned in accordance with the terms of the restructuring. The summary also includes the cost to carry foreclosed assets and the operating costs, net of the related revenue earned on these assets during the holding period.

	December 31,	
	1981	1980
Balances outstanding (in thousands):		
Included in loans and leases:		
Nonaccrual loans	$6,435	$2,959
Reduced rate loans	205	391
Included in other assets:		
Foreclosed real estate	1,115	549
Total	$7,755	$3,899

	Year Ended December 31,		
	1981	1980	1979
Effect on pretax income (in thousands):			
Loans:			
Contractual interest income	$1,318	$1,710	$1,643
Income received and recorded on reduced rate and nonaccrual loans	(171)	(390)	(249)
Decrease in interest on loans	1,147	1,320	1,394
Foreclosed property:			
Cost of operations	55	59	64
Interest cost (average purchased funds rate)	128	168	1,217
Losses (gains) on foreclosed property		(48)	1,333
Cost to carry foreclosed property	183	179	2,614
Total effect on pretax income	$1,330	$1,499	$4,008

During 1976, First Commerce foreclosed on loans collateralized by a shopping center located in the New Orleans area. Simultaneously with the foreclosure, First Commerce sold its interest in the shopping center to a real estate development corporation (the borrower). The terms of the sale did not meet the minimum downpayment requirement for accounting recognition as a sale and accordingly, the loans advanced to the borrower were included in other assets. Interest received on the loans was treated as a deposit (a reduction in the loan balance rather than as income).

In June, 1979, First Commerce entered into an agreement with the borrower on these loans, aggregating approximately $13,150,000, whereby the borrower could satisfy its obligations on the loans for approximately $2,600,000 less than their principal balances. A $1,635,000 provision for loss on the loans was charged against income in 1979. The provision was less than the $2,600,000 reduction in principal balances provided for by the agreement because of two factors: (1) contractual interest received or due on the loans which was treated as a deposit and (2) the amount the loans had been written down for financial reporting purposes during 1978. During August, 1979, $10,500,000 was received from the borrower as full settlement of the loans.

MERCHANTS NATIONAL CORPORATION

Underperforming Assets

The following table presents information on certain underperforming assets. Loans Renegotiated at a Reduced Interest Rate consists of loans, primarily real estate developments, which have been restructured or provide a reduction or deferral of interest or principal for reasons related to the debtor's financial difficulties.

(continued)

Loans and Leases Not Accruing Interest include loans and leases past due 90 days or more on which income accrual has been suspended. Other Past Due Loans consists of loans which are in default of principal or interest for more than 90 days but in Management's opinion are sufficiently collateralized to avoid being placed on a nonaccruing status. Other Assets and Real Estate, Net of Allowance represents the fair market value of assets and real estate obtained by the Corporation through loan and lease foreclosures or through taking title to such assets in lieu of foreclosure reduced by an allowance for losses (this category does not include approximately $1,750,000 for former Bank premises). Other Loans consists of loans which are current as to principal and interest but which Management has doubts as to ultimate collectibility.

	Principal Amount December 31	Percent Of Total Assets	Interest Per Original Terms	Interest Realized
1981:				
Loans Renegotiated at a Reduced Interest Rate	$ 4,864,561	.3%	$ 782,093	$ 297,736
Loans and Leases Not Accruing Interest	13,205,181	.7	1,182,957	-
Other Past Due Loans	5,140,160	.3		
Other Assets and Real Estate, Net of Allowance	18,264,377	1.0		
Other Loans	3,643,203	.2		
1980:				
Loans Renegotiated at a Reduced Interest Rate	$ 8,360,350	.4%	$1,126,039	$ 392,515
Loans and Leases Not Accruing Interest	13,593,808	.6	1,016,747	-
Other Past Due Loans	3,715,446	.2		
Other Assets and Real Estate, Net of Allowance	8,162,982	.4		
Other Loans	2,150,000	.1		
1979:				
Loans Renegotiated at a Reduced Interest Rate	$ 5,612,034	.3%	$ 824,279	$ 255,666
Loans and Leases Not Accruing Interest	9,272,607	.5	844,461	-
Other Past Due Loans	9,438,000	.5		
Other Assets and Real Estate, Net of Allowance	4,586,580	.3		
Other Loans	2,387,000	.1		
1978:				
Loans Renegotiated at a Reduced Interest Rate	$ 8,685,141	.5%	$1,304,187	$ 551,996
Loans and Leases Not Accruing Interest	7,625,637	.5	534,295	39,050
Other Past Due Loans	5,538,000	.3		
Other Assets and Real Estate, Net of Allowance	5,249,272	.3		
Other Loans	869,000	.1		
1977:				
Loans Renegotiated at a Reduced Interest Rate	$16,703,542	1.2%	$1,715,250	$ 979,531
Loans and Leases Not Accruing Interest	6,735,571	.5	686,882	50,386
Other Past Due Loans	5,598,000	.4		
Other Assets and Real Estate, Net of Allowance	3,496,357	.3		
Other Loans	2,542,000	.2		

	1981	1980	1979	1978	1977
Future Commitments on Renegotiated Loans at December 31	$2,750,000	$357,544	$381,715	$2,044,000	$2,176,000

SUN BANKS OF FLORIDA, INC.

Renegotiated Loans

Information concerning loans that have been renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower, is summarized below:

(In Thousands)	1981	1980	1979
Aggregate recorded investment	$3,042	$5,614	$4,491
Gross interest income that would have been recorded under original terms	$367	$716	$371
Gross interest income recorded during the year	$336	$624	$363

At December 31, 1981, 1980 and 1979, there were no commitments for additional funds on the above loans.

SCHRODERS INCORPORATED

Nonperforming and Restructured Loans

Nonperforming loans, as determined by management, are defined as loans on which interest is not being accrued. Nonperforming loans and loans on which the original terms have been modified to grant concessions in light of the borrowers' financial difficulty represent 2.3% and 0.5% of consolidated loans as at December 31, 1981 and 1980, respectively. Information regarding these loans is as follows:

	1981		1980	
	Nonperforming Loans	Restructured Loans	Nonperforming Loans	Restructured Loans
Balance, December 31	$3,332,000*	$21,872,000	$350,000	$4,380,000
Interest income that would have been recorded under original contract terms	$1,613,000	$ 3,241,000	$ 58,000	$ 365,000
Interest income recorded	$ 756,000	$ 3,139,000	$ -	$ 146,000
Commitments to lend additional funds	$ -	$ 125,000	$ -	$ -

*Net of loan guarantees in the amount of $2,200,000.

UNION TRUST BANCORP

Nonaccrual and Restructured Loans

The following table presents information concerning nonaccrual and restructured loans and leases outstanding at December 31. Restructured loans and leases include loans and leases, the terms of which have been modified to provide for an extension of the maturity date at a stated interest rate lower than the current market rate for new assets with similar risks.

	1981	1980
Outstanding balance at December 31:		
Nonaccrual	$ 8,976	$10,771
Restructured	9,967	12,254
Total	$18,943	$23,025
Gross interest income which would have been recorded under original terms during the year	$ 3,392	$ 3,636
Gross interest income recorded during the year	1,312	1,105

Commitments for additional funds on the above loans and leases were $26 and $2,184 at December 31, 1981 and 1980, respectively.

FIDELITY UNION BANCORPORATION

Non-Performing Loans

Non-performing loans include non-accrual and renegotiated loans. Renegotiated loans are loans, the terms of which have been modified to provide a reduction or deferral of interest or principal due to a decline in the financial position of the borrower.

The principal amounts of non-performing loans at December 31 follow:

(In Thousands)	1981	1980
Non-accrual	$37,243	$39,256
Renegotiated	20,586	11,550
Total non-performing loans	$57,829	$50,806

The effect of non-performing loans on interest income for the years ended December 31, 1981, 1980 and 1979 follows:

(In Thousands)	1981	1980	1979
Non-accrual			
Gross amount of interest which would have been recorded had the loans been current	$6,162	$5,452	$1,878
Actual amount of interest income recorded	2,374	1,984	625
Net effect on interest income	$3,788	$3,468	$1,253
Renegotiated			
Gross amount of interest which would have been recorded had the loans been current	$3,469	$1,018	$1,731
Actual amount of interest income	2,032	699	814
Net effect on interest income	$1,437	$ 319	$ 917

There were no commitments to lend additional funds to the borrowers whose loan terms have been modified for any of the years presented.

FIRST JERSEY NATIONAL CORPORATION

Non-Performing Loans

Non-performing loans consist of non-accrual (or cash-basis) loans and renegotiated loans. Non-accrual loans include commercial loans, construction loans, and loans to individuals with a stated maturity, which are delinquent 60 days or more as to payment of principal or interest. The banks recognize income from loans on the accrual basis. Interest previously accrued but not collected is reversed and charged against current income at the time the loan is placed on a non-accrual basis. From the time such loans are placed on a cash basis, interest is included in earnings only to the extent actually received in cash. Real estate loans other than construction loans are placed in the non-accrual category at the time when management institutes foreclosure proceedings. When foreclosure is finalized, previously accrued income that has not been collected is reversed and charged against current income. Installment, lease, industrial finance and credit card loans are not ordinarily placed on a non-accrual basis. Rather the accrued interest, if any, is reversed and charged against current earnings at the time these loans are charged off.

Renegotiated loans include all loans which have been restructured to provide a reduction or deferral of interest and/or principal because of a deterioration in the financial condition of the borrower. Accruals are maintained on these loans in accordance with the reduced terms.

It is the policy of the banks to charge off all retail installment loans for which payment is overdue 90 days and to charge off credit card accounts 180 days overdue.

The following table shows the loans of the Corporation which are non-performing, the income which would have been recorded if such loans were current, and the amount of interest that was reflected in income for the related periods.

	1981		1980		1979	
In Thousands	Cash Basis/ Past Due	Renegotiated	Cash Basis/ Past Due	Renegotiated	Cash Basis/ Past Due	Renegotiated
Aggregate recorded loan investment	$11,454	$2,513	$5,772	$2,696	$2,139	$5,358
Gross interest income that would have been recorded under original terms	1,340	519	947	452	219	821
Gross interest income recorded during the period	694	185	190	201	50	495

If gross interest income on both cash basis and renegotiated loans had been recorded in accordance with the original terms of the loans, net income would have increased $529,000 ($.29 primary earnings per share) in 1981, $544,000 ($.34 primary earnings per share) in 1980 and $267,000 ($.18 primary earnings per share) in 1979. There were no commitments to lend additional funds to borrowers whose loans are classified as non-performing.

EXAMPLES Non-performing loans (summary of accounting policies)

REPUBLIC OF TEXAS CORPORATION

Nonperforming assets are defined by RPT as:

(a) Nonaccrual Loans--Loans on which the accrual of interest income has been suspended. A loan is placed on nonaccrual status when, in the opinion of management, the future collectibility of interest and principal is in serious doubt. In addition, a loan is placed on nonaccrual when principal or interest is past due 90 days or more unless in the determination of management the principal and interest on the loan continue to be fully collectible;

(b) Reduced Rate Loans--Loans where the interest rate has been reduced below the prime rate or 200 basis points (100 basis points is equivalent to one percent) or more below original contracted interest rate as part of a troubled debt restructuring;

(c) Other Real Estate--Real estate acquired in full or partial settlement of loan obligations. When property is acquired, any excess of RPT's recorded investment in the receivable--loan balance and accrued income--over the estimated fair value of the property is charged against the allowance for loan losses.

Total nonperforming assets at December 31, 1981, were less than one percent of total assets. The reduction in 1981 income due to nonperforming assets was less than four percent.

FIRST TENNESSEE NATIONAL CORPORATION

Non-performing loans. Included in the non-performing loan category are loans which have ben categorized by management as non-accruing because collection of interest is doubtful; loans which are 90 days or more past due as to principal and/or interest payments and not yet on a non-accruing status; and loans which have been renegotiated to provide a reduction in the interest rate or a deferral of interest or principal payments.

With respect to non-accruing loans, interest accrued prior to a judgment of uncollectability is charged to current operations. Generally, any payments received on non-accruing loans are applied first to outstanding loan amounts and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest.

The following table presents information concerning non-performing loans at December 31:

(Thousands)	1981	1980
Non-accruing loans	$ 9,022	$10,768
90 days or more past due loans	2,156	1,510
Renegotiated loans	10,000	-
Total	$21,178	$12,278

The total amount of interest earned on the above non-accruing loans was $321,000 in 1981 and $171,000 in 1980. The gross interest income which would have been recorded under the original terms of the loans would have amounted to $1,537,000 in 1981 and $1,307,000 in 1980.

SUBURBAN BANCORP

Non-Performing Assets

Non-performing assets include real estate acquired through foreclosure or deed taken in lieu of foreclosure ("other real estate owned"), restructured debt transactions, and loans on non-accrual status.

Other real estate owned is recorded at the lower of cost or fair value. Any write-down from the cost to fair value required at the time of foreclosure is charged to the allowance for credit losses. Subsequent write-downs and gains or losses recognized on the sale of these properties are included in other income and other expenses in the Consolidated Statements of Income.

Loans are placed in a non-accrual status when, in the opinion of management, the collection of additional interest is questionable. Thereafter no interest is taken into income unless received in cash or until such time as the borrower demonstrates the ability to pay principal and interest.

Restructured debt transactions consist of those loans for which the original interest rates, repayment terms or both were renegotiated due to a deterioration in the financial condition of the borrower.

FIRST CHICAGO CORPORATION

Nonperforming Loans

Nonperforming loans include both nonaccrual and renegotiated loans. Nonaccrual loans are loans on which principal or interest is past due 90 days or more, or where, in the opinion of management, there are reasonable doubts as to collectibility. Interest previously accrued but not collected is reversed and charged against income at the time the loan is placed on nonaccrual status. Interest income on these loans is recognized only to the extent of cash payments received.

Renegotiated loans are loans on which interest rates have been reduced below the current market rates by an agreement with the borrower because the cash flow of the borrower was insufficient to service the loan under its original terms. Subject to the above nonaccrual policy, interest on these loans is accrued at the reduced rates.

EXAMPLES Disclosures that refer to specific problem loans or groups of loans (footnotes)

EQUIMARK CORPORATION

Loans

On September 25, 1981, the Corporation, through its wholly owned subsidiary ECFC, and certain other creditors filed a petition to commence involuntary bankruptcy proceedings against FSC Corporation under Chapter XI of the United States Bankruptcy Code. As a result, the Corporation included the remaining portion, $10,200,000, of loans to FSC Corporation and certain of its subsidiaries in its third-quarter provision for possible loan losses and has charged off the entire balance, $25,200,000, due from FSC Corporation and those subsidiaries. During the second quarter of 1981, ECFC had established a specific reserve of $15,000,000 against these loans and had placed these loans on a nonaccrual of interest status as of June 30, 1981 because FSC Corporation was, at that time, experiencing significant cash flow pressures from adverse economic conditions and high interest rates. The principal balances of these notes aggregated $23,424,000 at December 31, 1980.

(continued)

Included in the loan portfolio are certain loans the terms of which have been renegotiated to provide for a reduction or deferral of interest or principal due to financial difficulties experienced by the borrowers. Renegotiated loan balances and the income effect of foregone interest on these loans for the three years ended December 31, 1981 are summarized as follows:

	Year Ended December 31,		
(In Thousands)	1981	1980	1979
Balance--end of year	$15,923	$18,038	$15,339
Interest income computed at original terms	2,770	3,026	2,253
Interest income recognized	874	1,990	1,058

Loans to directors and their affiliated companies at December 31, 1981 aggregated $20,278,000. These loans were made on substantially the same terms, including interest rates and security, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility.

Reserve for Possible Loans Losses

The following table summarizes the reserve for possible loans losses of the Corporation and its subsidiaries for each of the three years ended December 31, 1981.

	Year Ended December 31,		
(In Thousands)	1981	1980	1979
The Bank			
Balance--January 1	$ 11,914	$11,229	$11,259
Provision charged against income	31,603	4,000	2,008
Loan recoveries	653	353	1,102
Loan losses (1)	(26,760)	(3,668)	(3,140)
Balance--December 31,	$ 17,410	$11,914	$11,229
Nonbank			
Balance--January 1,	$ 1,541	$ 1,066	$ 900
Provision charged against income	25,560	475	300
Loan recoveries	17	-	-
Loan losses (2)	(25,526)	-	(134)
Balance--December 31	$ 1,592	$ 1,541	$ 1,066
Consolidated			
Balance--January 1	$ 13,455	$12,295	$12,159
Provision charged against income	57,163	4,475	2,308
Loan recoveries	670	353	1,102
Loan losses	(52,286)	(3,668)	(3,274)
Balance--December 31	$ 19,002	$13,455	$12,295

The provision for possible loan losses charged against income is based on the factors presented in "Note 1--Summary of Principal Accounting Policies--Reserve for Possible Loan Losses."

The Bank's reserve for possible loan losses for income tax purposes amounted to $12,642,000 at December 31, 1981, 1980 and 1979. Deferred income taxes have been recorded on the difference between the amount of the loan loss reserve for income tax purposes and the amount for financial statement purposes.

(1) Loan losses for 1981 included a chargeoff of $1,000,000 relating to a portion of a credit in Brazil. Chargeoffs in 1981 also include the entire loan balance of $5,814,000 to an Italian customer and $3,847,000 of a loan with a remaining balance of $447,000 at December 31, 1981 to a Costa Rican customer.

(2) Includes in 1981 the entire balance of notes receivable from FSC Corporation and certain of its subsidiaries totaling $25,200,000 charged off by ECFC.

COMMERCIAL NATIONAL BANK IN SHREVEPORT

Loans and Allowances for Possible Loan Losses

The following is a schedule of loans outstanding (net of unearned discount) by type:

December 31 (Dollars in thousands)	1981	1980	1979
Commercial, financial, and other	$178,704	$180,491	$144,368
Real estate--construction	25,417	18,782	35,223
Real estate--mortgage	51,059	46,383	41,515
Consumer--mobile home	62,333	53,705	45,009
Consumer--all other	49,059	41,529	41,678
Total loans	$366,572	$340,890	$307,793

At December 31, 1981, the aggregate amount (in thousands) of loans owed to the Bank by directors, executive officers, principal holders of equity securities and their related entities totaled $20,719. All of the transactions entered into between the Bank and these parties were made on substantially the same terms and conditions as those prevailing at the time for comparable transactions with other parties.

Changes in the allowance for possible loan losses are summarized as follows:

Year ended December 31 (Dollars in thousands)	1981	1980	1979
Balance, January 1	$2,869	$1,769	$1,203
Loans charged off	(866)	(522)	(377)
Recoveries on loans	146	195	118
Net loans charged off	(720)	(327)	(259)
Provision charged to operating expense	1,198	1,427	825
Balance, December 31	$3,347	$2,869	$1,769

Prior to April 1, 1981, the Bank had an agreement with a company owned by a mobile home dealer whereby it paid the company a predetermined percentage of the amount financed on new mobile home loans. In exchange, the company agreed to retrieve, repair, and resell the mobile homes securing these loans in the event of default by the borrower. The amounts included as loan charge-offs in the accompanying statements do not include these payments to the company which aggregated (in thousands) $307, $713, and $473 in 1981, 1980, and 1979, respectively. Beginning April 1, 1981, the Bank entered into a new agreement with the same company whereby it pays the company a fixed amount per repossessed mobile home for providing the services described above. The amounts paid to the company under the current agreement have been included as loan charge-offs in the accompanying statements.

EXAMPLES Lease finance receivables (balance sheet)

MERCHANTS NATIONAL BANK OF ALLENTOWN

(In thousands)

	December 31	
	1981	1980
Loans	$352,676	$335,020
Less: Unearned Income	5,844	5,176
Reserve for Loan Losses	4,016	3,801
LOANS, NET	342,816	326,043
Direct Lease Financing, Net of Unearned Income (1981 - $56 thousand; 1980--$82 thousand)	425	529
Bank Premises and Equipment	9,691	9,135

KEY BANKS INC.

(dollars in thousands)

	December 31	
	1981	1980
Loans	$1,423,184	$1,362,329
Less: Unearned Income	(78,236)	(63,456)
Allowance for Possible Loan Losses	(14,708)	(17,824)
Net Loans	1,330,240	1,281,049

	December 31	
	1981	1980
Direct-Lease Financing (including leveraged leases of $1,268--1981; $1,351--1980)	$39,667	$34,737
Premises and Equipment	39,748	37,599

FIRST BANCSHARES OF LOUISIANA, INC.

(Dollars in Thousands)

	December 31	
	1981	1980
Loans--Notes	$582,002	$503,630
Less: Unearned Loan Interest	(35,278)	(43,991)
Reserve for Possible Loan Losses	(8,720)	(6,842)
	538,004	452,797
Direct Lease Financing	26,213	18,592
Less: Unearned Lease Income	(5,103)	(3,214)
Reserve for Possible Loans Losses	(259)	(186)
	20,851	15,192
Bank Premises and Equipment--Notes	20,694	20,356

FIRST MARYLAND BANCORP

	December 31	
	1981	1980
Loans and leases receivable:		
Commercial	$ 582,198,005	$ 471,138,578
Real estate--construction	104,340,018	104,861,397
Real estate--mortgage	368,185,948	313,582,532
Retail	422,177,417	385,389,158
International	272,237,879	242,906,252
Total loans	1,749,139,267	1,517,877,917
Leases receivable	87,863,419	94,286,750
Unearned income	(82,658,613)	(80,977,632)
Allowance for credit losses	(20,957,788)	(20,036,045)
Loans and leases receivable, net	1,733,386,285	1,511,150,990

MARINE MIDLAND BANKS, INC.

	December 31,	
	1981	1980
	(in thousands)	
Loans, net of unearned income: $221,077 and $189,644	$10,920,372	$ 9,696,524
Less--reserve for loan losses	121,053	108,105
Loans, net	10,799,319	9,588,419
Federal funds sold and securities purchased under resale agreements	566,546	156,323
Lease financing, less unearned income and reserve for losses	66,494	61,397
Premises and equipment	187,908	186,420

LINCOLN FINANCIAL CORPORATION

	1981	1980	1979
ASSETS			
Loans	$348,744,288	$360,209,242	$374,136,370
Less:			
Unearned income	(13,606,475)	(14,729,620)	(16,112,399)
Allowance for possible loan losses	(4,169,924)	(3,437,556)	(3,572,172)
Loans, net	$330,967,889	$342,042,066	$354,451,799
Net investment in direct financing and leveraged leases	7,501,924	8,343,618	8,478,888
Premises and equipment	7,060,200	6,011,156	5,991,150
Other assets	10,674,687	12,371,990	9,830,028

EXAMPLES Lease finance receivables (summary of accounting policies)

FIRST SECURITY CORPORATION

Direct Lease Financing

Certain of the Corporation's subsidiaries lease various types of equipment to customers under both leveraged and non leveraged arrangements. For leveraged lease, a significant part of the cost of the equipment is financed by other institutional lenders who depend on the related lease and equipment as collateral for their loans with no recourse to the subsidiaries.

The investment in direct lease financing consists principally of rentals receivable, estimated residual values, and investment tax credits receivable, less related unearned income. Unearned income is amortized into income so as to produce a constant periodic rate of return on the unrecovered investment.

BANKAMERICA CORPORATION

Lease Financing

The corporation provides equipment financing to its customers through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value less unearned income. Leveraged leases, a form of financing lease, are carried net of nonrecourse debt. Operating leases are carried at the applicable cost of the leased property less accumulated depreciation computed on a straight-line basis.

Unearned income on direct financing leases is amortized over the lease terms by methods producing approximate level rates of return on net lease assets. Unearned income on leveraged leases is amortized over the lease terms by methods producing approximate level rates of return on net investments in leases.

FIRST NATIONAL BANCORPORATION, INC.

Loans and Leases

Revenue on installment loans with equal payments and interest included in the face amount of the loans is recorded on a declining basis over the period of the loan in relation to the outstanding loan balance.

Customer direct financing and leveraged leases are carried at lease rentals receivable plus estimated residual values less unearned and deferred income. Unearned and deferred income are amortized to produce a constant rate of return over the life of the respective leases or, in the case of leveraged leases, during the period the lease investment net of applicable deferred income taxes is positive. The investment tax credit portion of deferred income amortization is credited to income tax expense.

The accrual of interest on commercial and real estate loans ceases when potential collection difficulties are foreseen and collateral is inadequate to cover principal and interest or upon the collection of principal and/or interest becoming past due 90 days or more. On such non-accrual loans, collections are credited to principal, or if collateral adequately covers principal, to interest income. Interest accrued to date of placement on non-accrual, unless adequately covered by collateral, is reversed.

Consumer (installment) loans are, in general, charged-off upon becoming 90 days past due and interest earned but not collected thereon is reversed at time of charge-off. Consequently, such loans are not placed on non-accrual.

CENTRAL BANKING SYSTEM, INC.

Loans and Lease Financing

Loans are stated at the principal amount outstanding less applicable unearned income. Interest on commercial and real estate loans are computed on the loan balance outstanding. Interest income on installment loans is primarily computed by using the rule of seventy-eights method, which recognizes interest approximately in proportion to the outstanding principal. Interest accruals are discontinued when the payment of interest or principal is ninety days or more past due and management feels there is a significant impairment to the asset. Under such conditions, previously accrued but uncollected interest income is reversed and subsequent interest income is recognized only when received.

Leases consist primarily of direct financing leases. The subsidiary banks use the finance method of accounting for leases. Under this method, income is recognized over the life of the lease on a yield method which provides a level rate of return on the net investment in the lease. In addition, a portion of lease income, which approximately offsets initial direct costs incurred in originating the lease, is credited to income at inception.

AMERICAN SECURITY CORPORATION

Lease Financing

The Corporation is an equity participant in a number of leveraged lease trusts and partnerships. The leased equipment is purchased with funds obtained from equity participants and funds borrowed from unaffiliated financial institutions. The borrowed funds, or leverage, are secured by claims on the leased equipment without recourse to the general credit of the equity participants.

The investment in leveraged leases is carried at the Corporation's share of rents receivable plus the estimated residual value of the equipment and is reduced by applicable unearned income and deferred investment tax credits.

For Federal income tax purposes, these leases are accounted for under the operating method, and deductions from rental income are claimed for depreciation of the equipment and interest costs on the non-recourse debt.

In the early years of the lease, losses are realized for Federal income tax purposes. Investment tax credits are claimed in the tax returns for the initial year of the lease. Deferred income tax liabilities are recorded based upon the timing differences between the income for financial reporting purposes and the losses for tax purposes. These deferred taxes are reversed in the latter part of the lease term as taxable income exceeds the income reported in the financial statements.

Direct lease transactions are accounted for on the financing method of accounting for financial reporting and tax purposes.

EXAMPLES Lease finance receivables (loan or separate footnote)

FIRST NATIONAL BANCORPORATION, INC.

Leases

Lease portfolios are summarized as follows:

	December 31 1981	December 31 1980
	(In Thousands)	
Leveraged:		
Rentals receivable (net of principal and interest on non-recourse debt)	$ 24,822	$ 10,170
Estimated residual value of leased assets	19,626	9,717
Unearned income and deferred investment tax credit	(13,041)	(4,531)
Net	31,407	15,356
Direct financing:		
Rentals receivable	37,453	8,792
Estimated residual value of leased assets	2,732	924
Unearned income and deferred investment tax credit	(15,698)	(3,799)
Net	24,487	5,917
Total*	$ 55,894	$ 21,273

*Applicable balances included in deferred income taxes: 1981--leveraged, $14,901,000, total, $16,680,000; 1980--leveraged, $9,937,000, total, $10,007,000.

Terms of leases at December 31, 1981 expire from 1982 to 1999 and lease receivable balances are collectible as follows: 1982, $2,330,000; 1983, $2,204,000; 1984, $3,808,000; 1985, $4,286,000; 1986, $5,340,000; after 1986, $37,926,000.

BANKAMERICA CORPORATION

Lease Financing

The following is a summary of net lease financing:

	December 31, 1981	December 31, 1980
	(in thousands)	
Leveraged leases	$ 316,403	$ 311,616
Direct financing leases	1,288,711	1,162,387
Operating leases	207,513	197,566
Total	$1,812,627	$1,671,569

CENTRAL BANKING SYSTEM, INC.

Lease Financing and Related Reserve For Losses

Details of lease financing balances at December 31, 1981 and 1980 are as follows:

	1981	1980
Minimum lease payments receivable	$203,315	$199,124
Less:		
Unearned income	51,211	39,010
Reserve for lease losses	1,533	1,684
Net investment in lease financing	$150,571	$158,430

Minimum lease payments receivable at December 31, 1981, are due as follows:

1982	$81,767
1983	64,863
1984	26,792
1985	14,515
1986	3,359

Included in lease income is an amount to offset initial direct costs of $491 in 1981, $501 in 1980, and $860 in 1979.

A summary of activity in the reserve for lease losses follows:

	1981	1980	1979
Balance at beginning of year	$ 1,684	$ 1,780	$1,132
Amounts charged off	(1,605)	(1,772)	(466)
Recoveries of leases charged off	375	195	54
Net charge-offs	(1,230)	(1,577)	(412)
Provision charged to operating expense	1,079	1,481	1,060
Balance at end of year	$ 1,533	$ 1,684	$1,780

AMERICAN FLETCHER CORPORATION

Lease Financing

Through its leasing subsidiaries, AFC leases equipment to customers either on a direct or leveraged basis in addition to providing conventional equipment financing. The investment in direct lease financing is recorded at the net amount receivable (gross contract receivable plus residual values less unearned income). For leveraged leases the gross contract receivable is reduced by the related principal and interest on the nonrecourse debt.

For tax purposes income is recognized using the operating method, which is rental income less depreciation and (for leveraged leases) interest expense on the nonrecourse debt. Deferred income taxes are provided for the difference between the methods used for financial reporting and tax purposes.

Lease financing receivables consist of the following:

(In Thousands)	1981	1980
Minimum lease payments receivable:		
Direct financing leases	$32,801	$30,377
Leveraged leases, net of principal and interest on nonrecourse debt	3,003	3,447
Estimated residual values	10,621	11,211
Less: Unearned income	12,024	11,122
Total	$34,401	$33,913

At December 31, 1981, future minimum lease payments on lease financing receivables are $5,540,000 for 1982, $4,188,000 for 1983, $3,439,000 for 1984, $3,009,000 for 1985 and $2,542,000 for 1986.

During 1979, several leases were voluntarily and involuntarily terminated in advance of the scheduled lease expiration date. These terminations resulted in a pre-tax gain of $2,500,000, which was included in other income. Similar gains in 1981 and 1980 were immaterial.

AMERICAN SECURITY CORPORATION

Lease Financing

Direct and leveraged lease financing is included in loans on the Consolidated Balance Sheet. Accumulated deferred taxes on leveraged leases are included in accrued income taxes on the Consolidated Balance Sheet.

The Corporation's investment in leveraged leases is composed of the following elements:

	(In Thousands) December 31 1981	 1980
Rentals receivable, net of principal and interest on nonrecourse debt	$ 21,663	$ 21,820
Estimated residual value of leased assets	9,554	9,554
Less: Unearned and deferred income	(5,746)	(6,329)
Investment in leveraged leases	25,471	25,045
Less: Deferred taxes arising from leveraged leases	(20,304)	(18,170)
Net investment in leveraged leases	$ 5,167	$ 6,875

The Corporation's investment in direct lease financing was $7,000 at December 31, 1981, and $283,000 at December 31, 1980.

NEW ENGLAND MERCHANTS COMPANY, INC.

Allowances for Possible Loan and Lease Loss

Changes in the loan allowance were as follows in thousands:

	1981	1980	1979
Balance at beginning of year	$22,871	$19,696	$14,629
Acquisition of Citizens	-	-	75
Plus provision from operations	10,472	7,890	8,791
Plus recoveries on loans previously charged off	3,317	2,062	2,107
Less loans charged off	8,503	6,777	5,906
Balance at end of year	$28,157	$22,871	$19,696

Changes in the lease allowance were as follows in thousands:

	1981	1980	1979
Balance at beginning of year	$2,142	$1,549	$1,349
Plus provision from operations	904	720	301
Plus recoveries on leases previously charged off	30	36	6
Less leases charged off	104	163	107
Balance at end of year	$2,972	$2,142	$1,549

Net Investment in Leases

NEMCO is engaged in full payout leasing and financing of several types of equipment. The net investment in leases was as follows at December 31 in thousands:

	1981	1980
Direct Financing Leases		
Lease payments receivable	$200,822	$127,884
Less nonrecourse debt	338	1,186
Lease financing receivable	200,484	126,698
Estimated residual values	7,165	4,077
Less:		
Unearned income	53,269	28,070
Unamortized investment tax credit	2,037	1,767
Allowance for losses	2,218	1,270
Net investment in leases	$150,125	$ 99,668
Leveraged Leases		
Lease payments receivable	$330,383	$269,344
Less nonrecourse debt	254,413	206,803
Lease financing receivable	75,970	62,541
Estimated residual values	21,675	16,753
Less:		
Allowance for losses	754	872
Unearned income	24,319	16,738
Unamortized investment tax credit	4,431	4,832
Deferred taxes payable	42,276	32,487
Net investment in leases	$ 25,865	$ 24,365

Nonrecourse debt is secured by the related equipment and assignment of lease rentals.

Lease financing receivables were due as follows at December 31, 1981 in thousands:

	Direct Financing	Leveraged	Total
1982	$ 47,596	$ 2,124	$ 49,720
1983	39,986	2,138	42,124
1984	33,669	2,102	35,771
1985	26,976	2,674	29,650
1986	21,407	3,409	24,816
1987 and thereafter	30,850	63,523	94,373
Total	$200,484	$75,970	$276,454

Data concerning leveraged leases is as follows in thousands:

	1981	1980	1979
Income before income taxes and investment tax credit	$3,129	$2,662	$3,048
Income tax expense	1,603	1,354	1,538
Investment tax credits amortized	1,095	470	232

HIBERNIA BANCSHARES CORPORATION

Loans (Excerpt)

Hibernia acts as lessor in lease financing of automobiles, an aircraft and a computer. The net investment in lease includes lease payments receivable and estimated residual values and is net of related unearned lease income. Hibernia's direct lease financing consists of the following:

(In thousands)	December 31, 1981	1980
Lease financing receivable	$25,098	$18,620
Estimated residual value	28,698	15,033
	53,796	33,653
Less unearned income	12,373	9,449
	$41,423	$24,204

Future minimum lease payments to be received in the following five years are:

1982	$15,979,000
1983	$15,363,000
1984	$12,648,000
1985	$ 6,238,000
1986	$ 1,459,000

Transactions in the reserve for possible loan and lease losses for 1981, 1980, and 1979, are summarized as follows:

(In thousands)	1981	1980	1979
Balance at January 1	$ 1,987	$1,505	$1,278
Addition from acquisition	1,501	-	-
Provision charged to expense	1,640	900	715
Net charge-off:			
Gross charge-offs	(2,013)	(672)	(681)
Recoveries	403	254	193
Net charge-offs	(1,610)	(418)	(488)
Balance at December 31	$ 3,518	$1,987	$1,505

FIRST OKLAHOMA BANCORPORATION, INC.

Lease Financing

Lease financing at December 31 consists of the following (in thousands):

	1981	1980
Direct financing leases:		
Minimum lease payments receivable	$ 25,300	23,895
Less: Reserve for uncollectible leases	(273)	(218)
Net minimum lease payments receivable	25,027	23,677
Estimated residual value of leased assets	3,683	3,397
Less: Unearned income	(7,481)	(7,199)
Net investment in direct financing leases	21,229	19,875
Leveraged leases:		
Lease payments receivable	36,234	40,893
Less: Principal and interest on nonrecourse debt	(31,692)	(36,404)
Reserve for uncollectible leases	(173)	(164)
Net lease payments receivable	4,369	4,325
Estimated residual value of leased assets	10,339	10,307
Less: Unearned and deferred income	(433)	(522)
Net investment in leveraged leases	14,275	14,110
	$ 35,504	33,985

The Company's leases consist of full-payout, direct financing leases and leveraged leases. The direct financing leases consist primarily of leases of railroad, medical and construction equipment and expire over the next fourteen years. The leveraged leases generally finance larger-dollar equipment. The Company's equity investment in the equipment ranges from 20% to 25% with the remaining cost being financed by nonrecourse, long-term debt that is secured by the leased property. The leveraged leases expire over the next five to thirteen years. Unearned lease income is recognized as income during the term of the lease in proportion to the unrecovered investment. The deferred income tax liability attributed to leveraged leases was $7,429,000 at December 31, 1981 and $5,040,000 at December 31, 1980.

Minimum rentals due on direct financing and leveraged leases are presented below (in thousands):

	Direct Financing Leases	Leveraged Leases	Total
1982	$6,356	5,304	11,660
1983	5,468	5,252	10,720
1984	3,994	5,017	9,011
1985	2,720	4,497	7,217
1986	1,899	4,018	5,917

EXAMPLES Sale leaseback transactions (excerpt from bank premises footnote unless otherwise indicated)

MANUFACTURERS HANOVER CORPORATION

On September 23, 1981, the Corporation's headquarters at 350 Park Avenue, New York, New York, was sold for approximately $161 million, at which time a gain of approximately $82.8 million ($44.0 million after tax) was realized. The Corporation will lease these facilities until early 1983 when the move to its new headquarters will be completed. The balance of the gain associated with the sale, approximately $46.5 million ($26.0 million after tax), is being recognized as an offset to the rental expense incurred throughout the lease period.

FIRST PEOPLES BANK OF NEW JERSEY

In 1975, the Board of Directors of the Bank approved the sale and leaseback of certain banking premises with Peoples Income Properties, Ltd. (a Limited Partnership). The lease agreement provides an option for the Bank to purchase the properties during the 25th year of the lease for $2,265,000. The Bank pays real estate taxes, insurance, and maintenance costs. There are no guarantees or restrictions in connection with the lease agreement.

Two of the five general partners, William G. Rohrer and Mario Natale, Jr., are the senior officers of the Bank. Mr. Rohrer and Mr. Natale were instrumental in establishing the Partnership, the terms of the sale and leaseback arrangement, and the long-term financing with other financial institutions. Mr. Rohrer and Mr. Natale own or control units representing 8.8% and 0.8%, respectively, of the total partnership units issued as of December 31, 1981.

NATIONAL BANK OF WASHINGTON, D.C.

Leases (commitments and contingencies footnote)

In 1976, the Bank entered into a sale-leaseback of its operations building and equipment. The land and building were leased for an initial period of thirty-years with options to renew the lease in consecutive five-year periods for an additional twenty years. The equipment was leased for fifteen years.

The sale-leaseback of the operations building and equipment constitute capital leases under the provisions of Statement of Financial Accounting Standards No. 13.

Following is a summary of assets recorded under capital leases:

	1981	1980
Operations building	$ 9,940,940	$ 9,940,940
Equipment	798,840	798,840
	10,739,780	10,739,780
Cumulative amortization	(1,989,508)	(1,606,963)
	$ 8,750,272	$ 9,132,817

Amortization of assets recorded under capital leases is included in occupancy expense on Bank premises, and furniture and equipment rental, depreciation and servicing, while interest on the related lease obligations is included in interest expense in the accompanying statements of income.

The Bank also leases land and buildings for certain branches as well as data processing equipment. All of these leases are operating leases for financial reporting purposes. Certain of the occupancy leases, including renewal options, run for periods of up to 35 years. Total net rental expense under operating leases was $1,969,000 in 1981, $1,482,000 in 1980 and $1,441,000 in 1979.

FIRST VALLEY CORPORATION

In 1978, the Corporation sold a subsidiary which owned its principal bank office building and the Bank concurrently leased the building for an initial term of 22 years with a series of renewal options totaling 38 more years. The sale resulted in a deferred gain which is being amortized over 22 years. Gain recorded as a reduction of Net Occupancy expense was $146,000 in each of the last three years.

BANCOHIO CORPORATION

On January 9, 1981, the Corporation sold its headquarters building for cash of approximately $50,000,000. The portion of the building occupied by the Corporation was concurrently leased back for a period of five years subject to options to renew at five year intervals for an additional 40 years. The Corporation also has an option to repurchase the property.

The gain on the sale of the building of approximately $15,000,000 will generally be recognized for financial statement purposes over the five year initial lease term as a reduction of the related annual rent expense. The gain was recognized for income tax purposes in 1981.

Interest costs of $673,000, $765,000 and $761,000 that otherwise would have been charged to income were capitalized in 1981, 1980 and 1979 respectively.

EXAMPLES NOW Accounts (balance sheet)

ARIZONA BANK

	December 31, 1981	December 31, 1980
Deposits:		
Demand deposits	$ 520,515,240	$ 530,911,791
Check Plus	145,336,885	70,329,947
Commercial and regular statement savings	216,061,356	249,509,549
Six-month investment certificates	406,618,475	376,826,686
Other time deposits under $100,000	157,315,620	104,064,926
Time certificates $100,000 and over	209,144,613	202,030,573
Public time certificates	120,836,072	218,165,864
Total deposits	1,775,828,261	1,751,839,336

NORTHWEST BANCORPORATION

(In thousands of dollars)	December 31 1981	December 31 1980
Deposits		
Demand	$ 2,892,301	$3,133,184
Regular savings and Interest Plus Checking	1,833,071	1,739,642
Savings certificates	3,701,036	3,104,051
Certificates of deposit and other time	2,018,638	2,540,315
Foreign time	941,172	527,041
Total deposits	11,386,218	11,044,233

CALIFORNIA FIRST BANK

(In Thousands)	December 31 1981	December 31 1980
Deposits in domestic banking offices:		
Demand	$ 890,613	$ 921,306
Savings	402,037	480,876
NOW	153,167	-
Time	1,780,858	1,607,167
Total deposits in domestic offices	3,226,675	3,009,349
Deposits in foreign banking offices	270,300	136,735
Total deposits	3,496,975	3,146,084

SEAFIRST CORPORATION

(In Thousands)	December 31, 1981	1980	1979
Demand Deposits	$1,838,365	$2,155,605	$2,097,950
Savings Deposits and Interest-Bearing Demand Deposits	1,100,794	980,270	1,014,611
Savings Bonds and Certificates	1,568,495	1,358,136	1,116,733
Certificates of Deposit and Other Time Deposits	2,796,496	2,008,357	1,796,655
Deposits in Foreign Offices	844,876	736,978	626,328
Total Deposits	8,149,026	7,239,346	6,652,277

FIRST WISCONSIN CORPORATION

(thousands of dollars)

	December 31		Average balances	
	1981	1980	1981	1980
Deposits:				
Domestic offices:				
Demand	$1,013,266	$1,086,660	$ 866,641	$ 935,399
Demand, Edge Act subsidiary	11,212	35,606	24,074	149,946
Savings and NOW	590,686	537,806	578,043	539,333
Other personal time	924,773	772,192	842,529	713,927
Business and municipal time	464,409	472,785	466,366	370,503
Foreign offices	496,351	339,649	419,318	414,659
Total deposits	3,500,697	3,244,698	3,196,971	3,123,767

FIRST INTERSTATE BANK OF OREGON, N.A.

(in thousands)

	December 31	
	1981	1980
Deposits		
Demand	$ 963,936	$1,086,098
Demand--NOW	229,326	0
Savings	685,228	825,448
Other time	1,748,923	1,625,333
Deposits in Foreign office	41,463	29,569
Total Deposits	3,668,876	3,566,448

HUNTINGTON BANCSHARES INCORPORATED

(in thousands of dollars)

	December 31,	
	1981	1980
Demand deposits	$ 579,357	$ 685,395
NOW deposits	150,264	
Savings deposits	455,263	516,240
Time CD's $100,000 and over	283,137	286,689
Other time deposits	890,654	644,271
Total deposits	2,358,675	2,132,595

EXAMPLES NOW Accounts (footnotes)

FIRST KENTUCKY NATIONAL CORPORATION

Deposits:

Interest on deposits is comprised of the following:

	(In Thousands)		
	1981	1980	1979
Deposits in Domestic Bank Offices:			
Savings and NOW Accounts	$ 11,870	$ 9,987	$10,499
Certificates of Deposit $100,000 and Over	43,540	35,188	26,219
Time	52,378	33,056	19,113
Deposits in Foreign Banking Office	6,430	5,561	11,306
	$114,218	$83,792	$67,137

LINCOLN FIRST BANKS INC.

Deposits

The major components of deposits as of year end were as follows (in thousands):

	1981	1980	1979
Demand deposits	$ 724,337	$ 761,521	$ 781,265
NOW accounts	163,509	129,494	109,861
Regular savings	445,375	474,934	513,000
Time deposits:			
Premium savings	218,120	333,064	430,251
Money market certificates	559,006	432,643	251,491
All saver certificates	50,631		
Time certificates of deposit under $100,000	3,242	4,281	2,095
Time open and other	12,008	16,508	21,015
Time certificates of deposit of $100,000 or more	467,859	349,794	296,679
	$2,644,087	$2,502,239	$2,405,657

Interest expense of $59,252,000, $38,640,000 and $32,642,000 was recorded during 1981, 1980 and 1979, respectively, for time certificates of deposit in denominations of $100,000 or more.

As of December 31, 1981, 1980 and 1979, the Company had time deposits in denominations of $100,000 or more, excluding certificates of deposit, of $11,476,000, $9,614,000 and $12,651,000, respectively.

UNION NATIONAL CORPORATION

(Summary of Accounting Policies)

Deposits

Deposits are classified as demand, savings or time accounts based upon individual account characteristics. Demand deposits are further categorized into non-interest-bearing demand deposits and the recently introduced interest-bearing demand deposits which are

NOW (negotiable order of withdrawal) accounts. Savings deposits include passbook and statement savings accounts while time deposits include certificates of deposit and other time deposit accounts.

Deposits

The components of interest expense on deposits are shown below:

In thousands Year ended December 31	1981	1980	1979
Demand deposits	$ 3,052	$ -	$ -
Savings deposits	17,105	20,455	22,694
Time deposits of $100,000 or more	2,262	810	169
Other time deposits	37,584	17,756	4,288
Total interest on deposits	$60,003	$39,021	$27,151

Following the January 1, 1981 introduction of NOW accounts, at December 31, 1981 interest-bearing demand deposits were $75,037,000. Time deposits of $100,000 or more were $16,027,000 on December 31, 1981 and $13,720,000 on December 31, 1980.

FIRST ALABAMA BANCSHARES, INC.

Deposits

The following schedule presents the detail of time and savings deposits:

(in thousands)	December 31 1980	1981
NOW accounts	$ -0-	$ 82,391
Savings	203,053	259,337
Certificates of deposit ($100,000 or more)	243,630	283,341
Time deposits ($100,000 or more)	88,115	184,864
All savers certificates	-0-	36,938
Other time deposits	504,702	623,511
Totals	$1,039,500	$1,470,382

The following schedule details interest expense on deposits:

(in thousands)	Year Ended December 31 1979	1980	1981
NOW accounts	$ -0-	$ -0-	$ 2,428
Savings	11,000	10,251	10,696
Certificates of deposit ($100,000 or more)	27,704	31,137	34,435
All savers certificates	-0-	-0-	739
Other time deposits	33,121	49,009	85,302
Totals	$71,825	$90,397	$133,600

EXAMPLES Short-term borrowings (balance sheet)

SECOND NATIONAL CORPORATION

(In Thousands)

Liabilities

Deposits:		
Demand	$ 90,293	$105,453
Interest Plus and Interest Plus Checking	118,428	117,840
Time deposits of $100,000 or more	39,610	20,641
Other time	165,476	138,958
TOTAL DEPOSITS	413,807	382,892
Dividends payable	295	295
Short-term borrowings:		
Federal funds purchased and securities sold under repurchase agreements	26,190	40,769
Treasury tax and loan note option	5,099	3,581
Notes and bonds payable--Note F	2,747	2,000
Accrued expenses and other liabilities	7,027	6,938
TOTAL LIABILITIES	455,165	436,475

BANK SOUTH CORPORATION

(Thousands of Dollars)

Liabilities		
Deposits:		
Demand	$ 437,185	$ 459,027
Savings	120,024	82,360
Time:		
Certificates of deposit over $100,000	139,112	126,335
Other time	200,150	172,263
Foreign	14,281	14,991
Total deposits	910,752	854,976
Short-term borrowings:		
Federal Funds purchased	153,986	182,690
Securities sold under agreements to repurchase	59,966	62,796
Commercial paper	59,745	60,269
Other short-term borrowings	198	8,065
Bank acceptances outstanding	20,284	1,056
Accounts payable and accrued liabilities	20,885	18,152
Capital notes	9,660	9,835
Other long-term debt	5,092	5,188
Total liabilities	1,240,568	1,203,027

HOSPITAL TRUST CORPORATION
(dollars in thousands)

Liabilities		
Deposits:		
Demand	$ 301,103	$ 317,547
Savings and consumer time	637,474	606,061
Other time	302,141	310,883
	1,240,718	1,234,491
Short-term borrowings:		
Federal funds purchased and securities repurchase agreements	404,589	206,707
Other short-term borrowings	71,802	66,234
Other liabilities for borrowed money	15,950	12,349
Subordinated Capital Notes	15,000	15,000
Obligations under capital leases	21,683	22,262
Acceptances outstanding	28,518	43,293
Accrued and deferred income taxes	11,446	9,243
Accrued interest payable	16,425	14,229
Other liabilities	6,237	11,517
	1,832,368	1,635,325

FIRST NATIONAL BANK OF MIDLAND

Liabilities		
Deposits:		
Demand	$ 446,610,000	$ 507,488,000
NOW Accounts	171,314,000	53,034,000
Savings	30,570,000	33,940,000
Time	699,734,000	448,087,000
Total Deposits	1,348,228,000	1,042,549,000
Short-Term Borrowings:		
Federal funds purchased	108,145,000	50,070,000
Securities sold under agreements to repurchase	57,563,000	20,572,000
Other borrowings	2,740,000	1,817,000
Total short-term borrowings	168,448,000	72,459,000
Accrued Expenses And Other Liabilities	29,806,000	16,494,000
Long-Term Debt	12,000,000	12,000,000
Total Liabilities	1,558,482,000	1,143,502,000

EXAMPLES Short-term borrowings (footnotes)

NATIONAL BANCSHARES CORPORATION OF TEXAS

Borrowed Funds

The following table summarizes pertinent information about funds purchased and other short-term funds (primarily interest-bearing revolving U.S. Treasury accounts):

	Year Ended December 31,			
	Funds Purchased		Other Short-Term Funds	
	1981	1980	1981	1980
(Dollars in Thousands)				
Balance at year end	$ 98,960	72,150	15,632	8,707
Average amount outstanding during the year	101,179	82,257	9,771	6,868
Maximum month-end balance during the year	117,200	94,575	24,736	21,213
Weighted average interest rate during the year	16.44%	13.52%	15.80%	12.55%
Weighted average interest rate at year end	12.85%	21.00%	12.46%	12.09%

The 10% Convertible Subordinated Debentures due 2006 are convertible into common stock of the Company at a price of $25.375 per share (985,222 total shares) subject to adjustments in certain events. Repayment is subordinated to the prior payment in full of any indebtedness for borrowed money for which the Company is liable. At December 31, 1981 the debentures were subordinated to all of the Company's obligations for borrowed money. The subordinated debentures are redeemable at the principal amount plus a premium ranging from 10% in 1982 to 1% in 1991, and thereafter without premium. Under the covenants of the related Indenture dated August 1, 1981 aggregate cash dividends and other certain related distributions declared or paid by the Company since December 31, 1980 are subject to a defined limitation. The Company was in compliance with all covenants of the Indenture at December 31, 1981 and would have been permitted to pay additional cash dividends of approximately $22,000,000.

DETROITBANK CORPORATION

Short-term Borrowings

The Parent Company has lines of credit established with various banks totaling $35 million on a commitment fee basis. None of the lines has ever been utilized.

The following information relates to consolidated and Parent Company only short-term borrowings (in thousands):

Year Ended December 31	1981	1980	1979
Consolidated:			
Total Short-term Borrowings			
Highest month-end balance	$1,194,904	$1,232,807	$1,082,855
Daily average amount outstanding	$ 795,308	$1,010,095	$ 840,234
Daily average interest rate paid	16.37%	13.21%	11.24%
Federal Funds Borrowed			
Highest month-end balance	$ 521,410	$ 620,225	$ 526,402
Daily average amount outstanding	$ 217,242	$ 463,028	$ 315,545
Daily average interest rate paid	16.98%	13.87%	11.88%
Securities Sold Under Agreements to Repurchase			
Highest month-end balance	$ 499,528	$ 488,846	$ 456,632
Daily average amount outstanding	$ 363,989	$ 417,438	$ 407,391
Daily average interest rate paid	16.01%	12.45%	10.78%
Parent Company only:			
Commercial Paper			
Highest month-end balance	$ 152,897	$ 60,809	$ 53,011
Daily average amount outstanding	$ 99,685	$ 45,241	$ 42,239
Daily average interest rate paid	15.74%	12.31%	10.57%

OMAHA NATIONAL CORPORATION

Short-Term Borrowings

Short-term borrowings data for the years ended December 31, 1981 and 1980, are as follows:

	As of December 31	
	Amount Outstanding (Dollars in Thousands)	Weighted Average Rate
1981		
Federal funds purchased and securities sold under agreements to repurchase	$243,795	12.00%
Commercial paper	37,343	12.83
Other	14,032	13.49
Total	$295,170	
1980		
Federal funds purchased and securities sold under agreements to repurchase	$215,197	19.64%
Commercial paper	41,635	17.16
Other	21,971	19.27
Total	$278,803	

Maximum Outstanding at any Month End (Dollars in Thousands)

	1981	1980
Federal funds purchased and securities sold under agreements to repurchase	$266,605	$234,754
Commercial paper	50,121	59,496
Other	39,960	46,992

Aggregate Short-term Borrowings (Dollars in Thousands)

	Average Daily Outstanding	Weighted Average Rate (1)
1981	$277,822	16.00%
1980	246,117	13.05

(1) Actual interest expense divided by average daily borrowings outstanding.

Federal funds purchased and securities sold under agreements to repurchase generally represent overnight borrowing transactions. Commercial paper of the Company and a subsidiary is generally issued in amounts not less than $50,000 with maturities of 270 days or less. In connection with the issuance of commercial paper, the Company maintains backup lines of credit totaling $25,000,000. The lines of credit provide for fees on unused lines and interest on outstanding borrowings rather than compensating balances. At December 31, 1981, the Company and its subsidiaries had $20,290,000 of unused lines of credit with various nonaffiliated banks.

COMMERCE BANCSHARES, INC.

Borrowings

Short-term borrowings of the Company and its subsidiaries consisted of the following (dollars in thousands):

		For the Year			
Description	Borrower	Weighted Average Rate	Average Balance Outstanding	Maximum Outstanding at any Month End	Balance at December 31
Federal funds purchased and securities sold under agreements to repurchase	Subsidiary Banks				
1981		15.6%	$302,546	$370,045	$370,045
1980		12.5	278,550	357,152	260,608
1979		10.8	210,462	238,705	238,705
Commercial paper	Parent				
1981		-	$ -	$ -	$ -
1980		13.0%	9,292	15,106	-
1979		11.3	10,592	12,776	11,478

Federal funds purchased and securities sold under repurchase agreements generally mature in less than thirty days. The weighted average interest rates at December 31, 1981 and 1980 were 12.7% and 18.0%, respectively.

In prior years, the Company sold commercial paper with minimum denominations of $100,000 and generally with terms of 30 days or less. The interest rate varied with the current money market rate. Even though no commercial paper was issued in 1981, this alternative remains available if there becomes a need to borrow.

Long-term debt of the Company and its subsidiaries consisted of the following (dollars in thousands):

Description	Borrower	Maturity Date	Interest Rate	Callable Price	Balance at 12/31/81
Capital notes	Subsidiary Banks	6/1/82	6-1/2%	N/A	$ 67
		12/1/86	8-1/4	N/A	12,780
Serial notes	Parent	Annually until 10/1/87	Various 9-1/4-10-1/8	100% of face	1,550
Bonds of 1979	Parent	9/30/89	10	100% of face	1,530
Installment notes of 1979	Parent	Annually until 9/30/89	9	N/A	334
Installment notes of 1976	Parent	Annually until 4/14/84	7	N/A	135

The subsidiary banks are required to appropriate from retained earnings a ratable portion of the aggregate principal amounts to a reserve for the retirement of the capital notes, which at December 31, 1981 amounted to $7,933,000. The Parent company has not guaranteed the notes issued by subsidiaries.

The Company issued the bonds and installment notes in 1979, along with $2,572,000 in cash, in conjunction with a tender offer through which it acquired 162,180 shares of its common stock. The bonds are callable in whole or in part after October 1, 1982.

TRUST COMPANY OF GEORGIA

SHORT-TERM BORROWINGS AND DEPOSITS

Other Short-Term Borrowings at December 31, 1981 and 1980, consisted of the following obligations (dollars in thousands):

	1981	1980
Parent Company:		
Commercial paper, various interest rates and various maturities	$26,716	$36,435
Borrowings from subsidiaries	1	2,801
Current maturities of long-term debt	2,758	3,424
Other	356	-
Parent Company Total	29,831	42,660
Subsidiaries:		
Demand borrowings from U.S. Treasury, secured by investment securities	1,957	4,899
Short-term notes, guaranteed by the Parent Company	7,765	5,085
Current maturities of long-term debt	539	191
Other	2,240	8,494
Subsidiaries Total	12,501	18,669
Less borrowings by Parent Company from Subsidiaries	(1)	(2,801)
Consolidated Total	$42,331	$58,528

At December 31, 1981, $37 million of unused borrowings under unsecured lines of credit from nonaffiliated banks was available and supports the outstanding commercial paper. The Company has agreements to maintain compensating balances of up to 10% of the available lines of credit plus up to 10% of the borrowings outstanding under such lines.

The following information concerns the Funds Purchased category of short-term borrowings (dollars in thousands):

	Outstandings		Weighted Average Rate	
	Maximum Month-End	Average Daily	During Year	At Year-End
1981	$623,387	$526,514	15.90%	12.71%
1980	548,621	480,188	12.93	20.75
1979	489,578	398,590	10.79	13.04

EXAMPLES Long-term borrowings (footnotes)

RAINIER BANCORPORATION

Funds Borrowed--Long-Term--A summary of long-term funds borrowed, excluding intercompany borrowings, at December 31 is as follows:

	1981	1980
	(In Thousands of Dollars)	
Parent Company:		
Note due in annual instalments of $1,667,000 beginning March 1, 1982, maturing March 1, 1987; interest at 8.3% payable semi-annually	$10,000	$10,000
Notes due July 15, 1985; interest at 9.5% payable semiannually. Notes redeemable at option of the Company after July 15, 1983	30,000	30,000
Notes due October 1, 1982 and March 1, 1983; interest at 8% payable semiannually	10,000	10,000
Bank:		
Note due April 15, 1983; interest at 13.2% (1981) and 15.2% (1980)	3,000	3,000
Notes due February 15, 1986; interest at 8.5% payable semi-annually. Notes redeemable at option of the Bank after February 15, 1983	1,000	1,000
Other	3,468	1,911
Mortgage Company:		
Mortgage loans and real estate notes payable (6.0% to 11.0%) through 1986	444	919
Notes due in instalments through 1985; interest at 6% payable monthly	2,998	4,184
Credit Company:		
Notes due in instalments through 1987; interest at 9%	1,535	1,773
Consolidated	$62,445	$62,787

The aggregate maturities of long-term notes payable, excluding intercompany borrowings, for the five years ending December 31, 1986, are as follows:

	Parent Company	Bank	Mortgage Company	Credit Company	Consolidated
	(In Thousands of Dollars)				
1982	$ 7,667	$ 990	$809	$259	$ 9,725
1983	5,667	3,732	813	282	10,494
1984	1,667	483	810	308	3,268
1985	31,667	138	792	336	32,933
1986	1,667	1,074	199	167	3,107

The Parent Company's long-term advances to the subsidiaries are funded by long-term borrowings. Generally, repayment terms for long-term advances parallel the Parent Company's long-term debt maturities. Interest paid by the subsidiaries to the Parent Company on all advances, including short-term, for the years ended December 31 was as follows:

	1981	1980	1979
	(In Thousands of Dollars)		
Bank	$ 993	$ 992	$ 992
Mortgage Company	7,738	8,499	11,454
Credit Company	12,694	9,117	7,598
Total	$21,425	$18,608	$20,044

TEXAS AMERICAN BANCSHARES, INC.

Borrowed Funds

Notes and mortgages payable consist of the following:

(In Thousands)	December 31 1981	1980
Notes Payable:		
Long-term notes of parent company	$46,850	$38,350
5-5/8% capital notes of The Fort Worth National Bank	6,250	6,625
	$53,100	$44,975
Mortgages Payable:		
The Fort Worth National Bank building mortgage, payable in semi-annual installments of $951,000, including interest at 8-1/4% through 1999	$17,675	$18,093
Other mortgage notes payable in aggregate monthly installments of $71,000 including interest ranging from 5-1/2% to 10% with maturities from 1982 to 2002	7,916	9,046
	$25,591	$27,139

Maturities of notes and mortgages outstanding at December 31, 1981 are as follows:

	(In Thousands)
1982	$ 1,486
1983	1,148
1984	1,093
1985	1,125
1986	6,693
1987-2002	67,146

MARSHALL & ILSLEY CORPORATION

Long-term Borrowings

The composition of long-term borrowings at December 31 was:

	1981	1980
Senior promissory notes	$22,500	$25,000
Mortgage notes	14,273	14,776
Unsecured notes	12,667	14,000
Capital notes	4,979	5,217
Capitalized lease obligation	4,170	-
Other	1,173	2,364
	59,762	61,357
Less current maturities	5,870	5,753
	$53,892	$55,604

Senior promissory notes of the Corporation, due July 1, 1990, have an interest rate of 10-1/4%. Annual principal payments of $2,500 are required through July 1, 1990. There is an option to prepay, at par, $2,500 on each of any three annual payment dates. Beginning July 1, 1985, additional prepayments can be made at a premium of 5.125% declining annually to par in 1990. Among the restrictions in the loan agreement are limitations on additional funded indebtedness, as defined, and cash dividends. At December 31, 1981, the amount of additional funded indebtedness that could be incurred was $64,340 and the consolidated retained earnings not restricted as to dividends was $35,352.

Mortgage notes consist principally of one note of $10,413 ($10,718 in 1980) payable by a real estate affiliate in monthly installments of principal and interest of $105 through December, 1996, with a variable interest rate, currently 9%, not to exceed 9% per annum. The note is secured by a mortgage on the M&I Marshall & Ilsley Bank building (carrying value of $9,857 at December 31, 1981) and an assignment of the affiliate's rental income.

Unsecured notes include $7,667 ($9,000 in 1980) payable by the leasing affiliate due in 1983, with an average interest rate of 13.0% (13.1% in 1980).

Included in both years are unsecured notes of the Corporation for $5,000, due in 1987, with an interest rate of 9.1%.

Capital notes consist principally of M&I Marshall & Ilsley Bank 4-7/8% capital notes which mature in 1990 and are redeemable at a premium decreasing annually from .72% in 1982 to.24% in 1984, and thereafter without premium. Annual sinking fund requirements of $300, to provide for retirement of two-thirds of the notes prior to maturity, have been satisfied by periodic redemptions.

The capitalized lease obligation is payable in monthly installments over five years and has an implicit interest rate of 16-1/4%.

Scheduled maturities of long-term borrowings for the next five years are:

1982	$ 5,870
1983	10,363
1984	4,950
1985	4,584
1986	4,505

FIRST INTERSTATE BANK OF CALIFORNIA

Notes and Mortgages

In thousands	December 31 1981	1980
Capital notes (subordinate to the claims of depositors and creditors):		
Notes at 4.5 percent due 1988	$ 35,000	$ 35,000
Notes at 4.5 percent due 1990	35,000	35,000
Note at 8.9375 percent issued to First Interstate Bancorp maturing on March 1, 1997	50,000	50,000
Note at 12.20 percent issued to First Interstate Bancorp maturing May 15, 2010	10,000	10,000
Mortgage secured by bank premises	-	3,724
Obligations under capital leases	68,253	69,900
	$198,253	$203,624

Capital notes of $20 million and $30 million, which were issued to the Bank's parent, First Interstate Bancorp, on December 21, 1979, were converted to equity capital on June 30, 1980.

The note agreements provide for certain limitations, including restrictions on cash dividend payments.

The $50 million note provides for annual sinking fund payments of $6 million on March 1 of each year starting in 1990 through 1996, and a final payment of $8 million on March 1, 1997. The Bank is required to maintain aggregate equity and capital notes of approximately $516.5 million, and at December 31, 1981, approximately $340 million of retained earnings was available for dividends.

FIRST UNION CORPORATION

Debentures, Capital Notes, and Other Debt

(In thousands)	1981	1980
Debentures and capital notes:		
7-1/2% debentures issued by the Parent Company, due in annual installments of not less than $1,000 (mandatory amount) nor more than $2,000 (annual option amount) commencing December 1, 1982	$19,816	36,345
5-1/2% convertible subordinated debentures issued by the Parent Company, due in 1996	5,178	6,627
8-1/2% convertible subordinated debentures redeemed by the Parent Company in March, 1981	-	9,818
4-7/8% capital notes issued by the Bank, due in annual installments of $1,000 to April 1, 1989	8,000	9,000
8% subordinated capital notes issued by the Bank, due December 31, 1984	11,072	11,072
7-1/2% subordinated capital notes issued by the Bank, due March 1, 1982	2,000	4,000
14% subordinated promissory notes issued by the Bank, due in varying annual installments through December 28, 1986	3,961	-
7% note issued by a subsidiary, due November 1, 2002, unsecured	1,000	1,000
	51,027	77,862
Less current maturities	5,814	3,584
	45,213	74,278
Other debt:		
4-3/4% to 9% mortgage notes, due in periodic payments through 2009, secured principally by property and equipment	$16,154	$19,867
6-5/8% to 10-3/8% mortgage notes, due in periodic payments through 2002, secured principally by real estate	5,510	2,131
Capitalized lease obligations calculated at rates generally ranging from 4.8% to 12.8%	12,418	13,196
	34,082	35,194
Less current maturities	1,074	1,396
	33,008	33,798
Total	$78,221	108,076

The 7-1/2% debentures are senior in right of payment to the Parent Company's 5-1/2% convertible subordinated debentures. These issues are redeemable at the option of the Parent Company.

The Bank's capital and promissory notes are subordinate to depositors and/or other creditors. The 4-7/8% and 7-1/2% notes are redeemable at a premium at the option of the Bank.

In 1981, the Parent Company acquired $16,529,000 of its 7-1/2% debentures. Of this amount, $12,113,000 of the debentures were exchanged for 421,349 shares of newly issued common stock which resulted in a tax-free extraordinary gain of $3,643,000.

The Parent Company redeemed its 8-1/2% subordinated debentures in 1981. As a result of the redemption, debenture holders exchanged $6,637,500 of the 8-1/2% debentures for 394,474 shares of common stock, and the remaining debentures were redeemed for cash at 103% of the principal amount. This redemption increased stockholders' equity by $6,168,000.

The 5-1/2% convertible subordinated debentures are convertible into the Parent Company's common stock at any time at the option of the holder at $27.94 per share, which will be subject to further adjustment if certain events occur. During 1981, debenture holders elected to convert $1,349,000 of the 5-1/2% debentures into 48,273 shares of the Parent Company's common stock. In addition, $100,000 of the 5-1/2% debentures were acquired by the Parent Company during 1981.

Consolidated retained earnings of approximately $126,267,000 are unrestricted as to the payment of cash dividends on, or purchases of, common stock under the most restrictive provisions of the debt agreements.

Debentures, capital notes, and other debt maturing in each of the five years subsequent to December 31, 1981 are as follows: 1982, $6,888,000; 1983, $4,738,000; 1984, $15,249,000; 1985, $4,366,000; and 1986, $5,093,000.

OLD NATIONAL BANCORPORATION

Long-Term Obligations

Long-term obligations at December 31 follow:

	1981	1980
Parent Company		
10-year term notes	$25,000	$
10.05-10.50% notes	10,000	10,000
14.80-14.875% notes	2,400	1,400
9.50% stock purchase contracts	1,230	1,835
	38,630	13,235
Commercial Banking Subsidiary		
Mortgage notes	762	901
Capital notes	75	90
Total consolidated	$39,467	$14,226

The 10-year floating rate notes require annual sinking fund payments of 20 percent of the prevailing outstanding balance beginning in 1987 until paid in 1991. The Company may borrow up to $30 million under the note agreements and may prepay the entire balance at any time without penalty.

The 10.05-10.50 percent notes payable are due beginning in the years 2000 and 2001, and the 14.80-14.875 percent notes payable are due in the

(continued)

year 2005. The Company is required to commence annual sinking fund payments of $225 thousand in 1986, increasing to $378 thousand in 1991. Under terms of the master note agreement, $26.9 million of the Company's retained earnings was restricted as to the payment of cash dividends at December 31, 1981.

The 9.50 percent stock purchase contracts payable provide for quarterly interest and principal payments in various amounts from 1977 through 1991.

The mortgage notes bear interest at 7.50 percent and 5.50 percent and are repayable in monthly installments, including interest, of $16,500 through 1982, reducing to $6,100 from 1982 to 1996. The mortgage indebtedness is collateralized by premises and equipment with a net book value of approximately $971 thousand at December 31, 1981.

The capital note is a 5.75 percent note with annual principal payments of $15,000 until paid in 1986.

Principal maturities of long-term obligations, by year of maturity, for the next five years follow:

	Parent Company	Consolidated
1982	$195	$359
1983	189	232
1984	202	247
1985	176	224
1986	378	428

EXAMPLES Unused lines of credit (footnotes)

OLD KENT FINANCIAL CORPORATION

Short-Term Borrowed Funds

Short-term borrowed funds consist of federal funds purchased and securities sold under agreements to repurchase, borrowings directly from the Federal Reserve Bank and treasury tax and loan demand notes.

Old Kent has an $8,000,000 line of credit available which provides for a fluctuating interest rate based on the lending bank's prime commercial rate. No amounts were borrowed under this line during 1981 and 1980.

MIDLANTIC BANKS INC.

Short-term borrowings (excerpt)

Substantially all commercial paper notes mature within 30 to 90 days after issuance. Most federal funds purchased mature in one day and the majority of securities sold under repurchase agreements mature within 30 days. Other borrowings consists principally of borrowings from the Federal Reserve Bank which mature within one day and demand notes to the U.S. Treasury. At December 31, 1981, unused lines of credit at other banks aggregated $60,000,000. There are no fees required to carry such lines, which are maintained to support commercial paper borrowings, and interest rates will be based on the current lending rate of the other banks when the lines are utilized. Compensating balances relating to these lines amounted to $750,000 at December 31, 1981.

NORTHERN TRUST CORPORATION

Federal Funds Purchased And Other Borrowings

The tables below summarize data for the Corporation's activity in short-term money market liabilities.

Federal funds purchased and securities sold under agreements to repurchase generally represent overnight borrowing transactions.

(In Thousands)	1981	1980
Balance on December 31	$1,016,502	$ 833,761
Highest Month-End Balance	1,524,033	1,105,835
Year--Average Balance	1,282,355	1,007,573
--Average Rate	16.34%	12.62%
Average Rate at Year-End	12.32%	19.56%

Commercial paper is issued by the parent company with maturities not to exceed nine months.

(In Thousands)	1981	1980
Balance on December 31	$ 3,286	--
Highest Month-End Balance	37,391	--
Year--Average Balance	6,624	--
--Average Rate	15.87%	--
Average Rate at Year-End	11.72%	--

At December 31, 1981, lines of credit aggregating $40,000,000 were available from unaffiliated banks. These unused bank lines principally serve as commercial paper backup lines. The financing arrangements require maintenance of compensating balances, the amounts of which are not material.

Other borrowings, which generally have maturities of less than one year, consist of treasury tax and loan demand notes, Eurodollar borrowings, and short sales of U.S. Government securities.

(In Thousands)	1981	1980
Balance on December 31	$166,329	$115,515
Highest Month-End Balance	182,930	190,134
Year--Average Balance	89,849	107,095
--Average Rate	15.11%	15.08%
Average Rate at Year-End	9.44%	15.63%

Total federal funds purchased, commercial paper, and other borrowings.

(In Thousands)	1981	1980
Balance on December 31	$1,186,117	$ 949,276
Year--Average Balance	1,378,828	1,114,668
--Average Rate	16.26%	12.86%

BANK OF VIRGINIA COMPANY

Short-Term Borrowings

Following is a summary of short-term borrowings for the years ended December 31, 1981 and 1980 (dollars in thousands):

	Maximum Outstanding at Any Month End	Average Outstanding	Weighted Average Interest Rate	Average Interest Rate at Year End
1981				
Federal funds and repurchase agreements	$352,831	$269,730	16.0%	12.3%
Commercial paper	146,920	130,660	15.1	11.2
Total		$400,390	15.7%	12.0%
1980				
Federal funds and repurchase agreements	$231,660	$171,984	12.6%	19.2%
Commercial paper	145,411	132,961	12.5	16.9
Other	39,702	22,184	14.9	
Total		$327,129	12.7%	18.5%

The weighted average interest rate is calculated by dividing annual interest expense by the daily average outstanding principal balance.

The Company maintains back-up lines of credit, rates of which generally approximate prime at time of borrowing. Unused back-up lines totaled approximately $111,000,000 at December 31, 1981.

EXAMPLES Subordinated or capital notes and debentures classified between liabilities and equity (balance sheet)

UNITED JERSEY BANKS

(Dollars in thousands)

	December 31, 1981	December 31, 1980
Accrued expenses and other liabilities	15,322	13,393
	2,630,353	2,458,613
Long-term debt and capital notes	51,134	48,547
Commitments and contingent liabilities		
Stockholders' equity:		
Preferred stock without par value. Authorized but unissued, 4,000,000 shares	-	-
Common stock of $2.50 par value. Authorized 10,000,000 shares: issued 5,670,890 in 1981 and 5,588,254 in 1980	14,177	13,971

LLOYDS BANK CALIFORNIA

	December 31 1981	December 31 1980
Other liabilities	8,929,000	11,276,000
Total liabilities, excluding capital notes	2,596,501,000	2,564,714,000
Capital notes (4-7/8%, $830,000 due annually)	6,690,000	7,520,000
Shareholders' equity:		
Capital stock, par value $12.50		
Shares authorized: 2,000,000		
Shares issued: 1,486,424	18,580,000	18,580,000

CHAPTER 2

Statement of Income

Format—Fourth Bank Corporation

The following income statement of Fourth Bank Corporation has been excerpted from E&W's *SEC Annual Reports—Banking Industry Supplement—1981.* It is presented as an example of the net interest margin format which is required to be used in the financial statements of SEC registrants. Bank regulators require presentation of only two years and do not require the use of this format; however, it is widely used by commercial banks that issue annual reports to their shareholders. It is presented as an example only and not as a standard form to be followed by all banks.

FOURTH BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

	Year Ended December 31		
	19X5	19X4	19X3
	(Amounts in thousands, except per share data)		
Interest income:			
Interest and fees on loans	$223,324	$197,339	$152,023
Interest on investment securities--			
Taxable	25,631	25,561	25,004
Exempt from Federal income taxes	3,516	2,154	1,999
	29,147	27,715	27,003
Trading account interest	347	382	248
Other interest income	36,642	39,083	30,464
Direct lease financing income	12,152	9,737	4,295
TOTAL INTEREST INCOME	301,612	274,256	214,033
Interest expense:			
Interest on deposits:			
Savings deposits	23,512	23,808	20,247
Time deposits in denominations of $100,000 or more	25,410	21,533	1,791
Other time deposits (net of early withdrawal penalties of $1,980 in 19X5)	58,850	55,164	51,565
Deposits in foreign banking offices	32,340	28,646	24,934
	140,112	129,151	98,537
Interest on short-term borrowings	44,159	42,814	32,781
Interest on capital lease obligation	408	415	448
Interest on 4% convertible capital notes due 1986	856	1,060	1,007
TOTAL INTEREST EXPENSE	185,535	173,440	132,773
NET INTEREST INCOME	116,077	100,816	81,260
Provision for loan losses	14,425	13,290	12,380
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	101,652	87,526	68,880
Other income:			
Trust department income	8,947	11,371	13,998
Service charges on deposit accounts	3,722	3,518	4,332
Other service charges and fees (including credit card fees of $465 in 19X5)	9,335	8,720	10,736
Trading account income	2,396	3,491	4,299
Other	2,381	3,003	3,696
	26,781	30,103	37,061
	128,433	117,629	105,941
Other expenses:			
Salaries and employee benefits	56,055	55,128	48,965
Occupancy expense (net)	10,647	10,137	9,001
Furniture and equipment expense	4,722	3,938	3,495
Cost of operation of other real estate	3,361	2,823	2,509
Other	20,615	16,796	14,918
	95,400	88,822	78,888
Income before income taxes and security gains or losses	33,033	28,807	27,053
Applicable income taxes	13,098	11,615	10,823
Income before security gains or losses	19,935	17,192	16,230
Net security gains (losses) after applicable income taxes of $91 in 19X5, ($460) in 19X4 and $385 in 19X3	87	(499)	431
NET INCOME	$ 20,022	$ 16,693	$ 16,661
Per share data:			
Primary:			
Income before security gains or losses	$2.37	$2.06	$1.96
Net income	2.25	2.00	2.01
Fully diluted:			
Income before security gains or losses	$2.24	$1.93	$1.82
Net income	2.25	1.88	1.87

See notes to financial statements.

Interest and fees on loans

In 1981, 66% of the surveyed companies disclosed their method of accounting for interest income from installment loans. Table 9 indicates that most of the surveyed commercial banks and holding companies used the rule of 78ths method to recognize installment loan income but the use of that method is decreasing slightly.

Table 9. Method of Recognition of Installment Loan Income

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports disclosing method of installment loan income recognition used:				
Rule of 78ths	92%	95%	85%	92%
Simple interest	4	*	10	*
Straight line		*	1	*
Other	4	*	4	*
	100%		100%	

*Data not surveyed in 1980

Eight percent (13% in 1980) of the surveyed commercial banks and 4% (7% in 1980) of the surveyed holding companies disclosed the method used to account for loan fees. Forty-six percent (57% in 1980) of the surveyed companies making this disclosure indicated that certain loan fees were immediately taken into income and other types of loan fees were amortized over time. Twenty-seven percent (38% in 1980) indicated that loan fees were immediately credited to income and 27% (5% in 1980) indicated that fees were amortized into income over time.

Corporate income taxes

Both Regulation S-X and federal bank regulators' securities disclosure rules require that annual shareholders reports include a reconciliation of the federal statutory income tax rate to the company's effective income tax rate. In 1981 substantially all surveyed companies either presented a tabular reconciliation or disclosed in narrative form, the major differences between the statutory and effective tax rates.

Substantially all of the 1981 surveyed companies included disclosures related to deferred tax expense. Table 10 shows that the disclosure was most commonly made in both the statement of changes in financial position and the notes to financial statements. Most surveyed companies disclosed the components of deferred taxes in a footnote together with other income tax matters.

Table 10. Deferred Income Taxes

	Commercial Banks		Holding Companies	
	81	80	81	80
Deferred taxes were disclosed in:				
Statement of changes in financial position and notes to financial statements	84%	73%	79%	71%
Notes to financial statements	16	22	16	22
Other		5	5	7
	100%	100%	100%	100%

Tax benefits

Approximately 26% (18% in 1980) of the surveyed companies reported realization of net income tax benefits. Two percent (1% in 1980) of the surveyed companies disclosed realization of a tax benefit resulting from a loss carried back against the taxable income of the immediately preceding ten years.

Capitalization of interest

FASB Statement No. 34 "Capitalization of Interest Cost" applies to banks and bank holding companies that incur interest costs in connection with the construction of banking facilities or in completing real estate projects acquired through foreclosure.

Interest expense incurred during the period of time required to get the assets ready for their intended use should be deferred and included as part of the cost of the constructed assets or acquired property. The amount deferred is limited to total interest expense incurred and is computed by multiplying the borrowing rate times the average expenditures (including acquisition cost in the case of other real estate) for the assets during the construction or development period. For banks, the borrowing rate could be based on:

Actual rate on borrowings directly related to the project

Pooled rate based on all interest bearing liabilities

Computed rate based on selected deposits and/or borrowings

The Statement provides little guidance on materiality in deciding whether capitalization of interest is required. Statement No. 42, which was issued in November 1980, amends Statement No. 34 to clarify that the usual materiality tests for accounting changes apply, such as how capitalization would affect net income of the current period. Pro forma calculations are not appropriate.

Statement No. 42 should be applied at the same time Statement No. 34 is first applied. Companies that adopted the earlier Statement, but avoided capitalization of interest because of a pro forma calculation of materiality, had to start capitalizing interest in fiscal years beginning after October 15, 1980. For these companies, restatement of financial statements in which Statement No. 34 was applied is permitted, but not required.

Our Financial Reporting Developments publication "Capitalization of Interest Cost" (E&W No. 39129) provides guidance for banks in applying Statement No. 34.

Income from financial futures market transactions

Volatile interest rates have caused many banks and other financial institutions to use or consider using financial futures and forward contracts to protect interest spreads or to improve profits. Currently, the only guidance as to generally accepted accounting principles for these transactions is contained in an issues paper entitled, "Accounting for Forward Placement and Standby Commitments and Interest Rate Futures Contracts."

The issues paper was developed by an AICPA Task Force on Forward Commitments and Interest Rate Futures. A final draft of the paper addressing the various methods of accounting for these activities was submitted to the FASB during December of 1981.

The most significant issue addressed in the issues paper is whether gains or losses on open contracts that result from changes in market value of the underlying securities should be recognized currently. The advisory conclusions presented in the issues paper are that gains and losses on futures and forward contracts should be recognized currently when: 1) contracts are entered into for speculative purposes, or 2) contracts represent hedges of existing or contemplated asset positions that are or will be carried at market, or 3) criteria for hedge accounting are not met.

Other accounting issues addressed in the AICPA issues paper are:

1. Should the accounting treatment for futures and forward transactions be consistent?
2. Should the underlying asset and liability of a futures or forward contract be recorded on the balance sheet prior to settlement date?

Basic conclusions of existing literature, including FASB Statement No. 52 with respect to forward exchange contracts for foreign currency and the AICPA "Audit and Accounting Guide for Savings and Loan Associations" with respect to GNMA futures contracts (which did not fully anticipate the variety of current transactions), are that (1) speculative transactions should be marked-to-market and (2) hedging transactions may be tied together with underlying assets, liabilities or commitments.

The following table shows how the surveyed companies disclosed financial futures and forward transactions.

Table 11. Financial Futures and Forward Commitments

	Commercial Banks		Holding Companies	
	81	80	81	80
Financial futures and forward transactions were disclosed in:				
Investment policy footnote		50%	39%	58%
Financial futures policy footnote			14	8
Commitments and contingent liabilities footnote		50	25	34
Financial futures footnote			7	
Investments footnote			4	
Other			11	
		100%	100%	100%
Number of surveyed companies making disclosures	0	2	28	12
Of those surveyed companies disclosing futures and forward transactions the disclosure included:				
Amount of unrealized gain or loss			11%	17%
Method of accounting for unrealized gain or loss		50%	18	50
The company's position in these markets at year-end		50	18	33
Only a statement that the company entered into such transactions			68	25

Exchange of debt for stock

Six percent of the surveyed companies entered into transactions to reacquire their debt at substantial discounts in exchange for their common stock or for cash. When properly structured and executed through an investment banker, an exchange of debt for stock may be tax free. Either previously unissued stock or stock reacquired in the market has been used. The stock used may depend on whether there are sufficient authorized, unissued shares available and management's desire to avoid the dilutive effect of issuing additional shares.

The discounts on these transactions result in a gain on the early extinguishment of debt. As a general rule, such gains are accounted for as extraordinary items (assuming the amount is material). However, gains from the extinguishment of debt to meet sinking-fund requirements for the near future may be classified as ordinary income. The FASB is considering a proposed amendment of FASB Statement No. 4 to provide further guidance on this issue.

EXAMPLES Change in method of recognizing interest income from the rule of 78ths method to the simple interest method (summary of accounting policies)

UNITED BANCORP OF ARIZONA

Loans

Loans are generally carried at amounts advanced less payments received. Mortgage loans held for resale by the mortgage banking subsidiary are carried at the lower of the cost or aggregate market. Discounted loans are carried net of unearned income. Interest on all loans is accrued over the term of the loans based on the amount of principal outstanding, except unearned income on discounted loans which is recorded as income over the term of the loan using the rule of 78ths method through September 30, 1980. Effective October 1, 1980 such method was discontinued and the simple interest method was adopted. The impact on net income resulting therefrom was not material.

EXAMPLES Method of accounting for loan fees (summary of accounting policies)

PEOPLES BANCORPORATION

Loans

Interest on commercial, real estate, mortgage, and certain types of installment loans is accrued and credited to income based upon the principal amount outstanding. Interest on other installment loans is accrued and credited to income on the sum-of-the-month's-digits method. It is the policy of management to discontinue the accrual of interest when circumstances indicate that collection is questionable. Loan origination fees are recognized as income when the initial loan disbursement is made except certain construction loan fees are deferred and recognized as income on a straight-line method over the combined loan and commitment period. First mortgage loans held for resale are carried at the lower of cost or market value.

IMPERIAL BANCORP

Loans

Loans are stated at the amount of principal outstanding. Interest income on loans is accrued daily as earned and is based primarily on principal outstanding.

The unearned income on discount-type loans is recognized as income principally by use of the sum-of-the-years digits method. A portion of the unearned discount (normally $50.00 per loan) is recognized as income at the inception of the loan in order to offset the estimated expenses of originating the loan.

Loan fees received on loans whose terms exceed one year are deferred and accreted to income over the life of the loan on a straight line basis except that a portion of these loan fees (normally one percent of the original loan balance) is recorded as income at the inception of the loan in order to offset the estimated expenses of originating the loan.

Interest income is not recognized on those loans identified by management as nonperforming. Such nonperforming loans are generally commercial or real estate loans which are past due as to principal or interest 90 days or more.

Loans deemed by management to be uncollectible are charged to the allowance for loan losses. Recoveries on loans previously charged off are credited to the allowance. Provisions for loan losses are charged to expense and credited to the allowance in amounts deemed appropriate by management based upon its evaluation of the known and inherent risks in the loan portfolio.

EXAMPLES Reconciliation between effective and statutory income tax rate (footnotes)

CULLEN/FROST BANKERS, INC.

Income Taxes

Tax expense for financial reporting purposes differs from the amount computed by applying the statutory income tax rate of 46 percent to income before income taxes.

(continued)

The reasons for these differences are as follows (in thousands):

	Year Ended December 31					
	1981		1980		1979	
Tax expense at statutory rates	$12,210	46%	$8,581	46%	$6,666	46%
Reductions resulting from:						
Tax-exempt interest	(6,213)	(23)	(5,445)	(29)	(4,152)	(29)
Investment tax credit	(912)	(3)	(216)	(1)	(218)	(1)
Other	(353)	(2)	(46)	(1)	(165)	(1)
Actual tax expense	$ 4,723	18%	$2,874	15%	$2,131	15%

Deferred federal income taxes included in the accompanying consolidated balance sheets amounted to net deferred tax credits of $138,000, $2,492,000, and $2,649,000 at December 31, 1981, 1980, and 1979 respectively.

CITIZENS AND SOUTHERN GEORGIA CORPORATION

Income Taxes

	1981		1980		1979	
	Amount	Rate	Amount	Rate	Amount	Rate
Consolidated						
Income tax computed at federal income tax rate	$22,277	46%	$25,921	46%	$16,974	46%
Increase (Decrease) resulting from:						
Tax-exempt interest:						
On loans	(7,038)		(2,069)		(1,058)	
On securities	(6,029)		(5,093)		(2,864)	
Investment tax credit	(2,031)		(773)		(512)	
Change in estimate of deferred tax liability	(1,000)					
Provision related to sales and writedowns of certain assets			1,400			
Other--net	(1,294)		687		899	
Total Income Taxes	$ 4,885	10%	$20,073	36%	$13,439	36%
Company						
Income tax computed at federal income tax rate	$ 7,550	46%	$11,505	46%	$ 3,617	46%
Increase (Decrease) resulting from:						
Subsidiary dividends	(7,704)		(10,984)		(3,054)	
85% statutory dividend deduction	(254)		(351)		(425)	
Other--net	(123)		191		500	
Total Income Taxes	$ (531)	(3)%	$ 361	1%	$ 638	8%

WACHOVIA CORPORATION

Notes to Consolidated Financial Statements

Income Taxes

The reasons for the difference between consolidated income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes and securities gains (losses) were as follows:

	1981	1980	1979
Federal income taxes at 46% statutory rate	$40,320,609	$34,994,193	$28,984,813
State and local income taxes, net of federal tax benefit	1,231,467	692,080	653,734
Effect of tax-exempt securities interest and other income	(20,259,261)	(14,321,358)	(12,244,336)
Investment tax credit	(638,966)	(521,837)	(551,077)
Other items	790,604	391,269	(874,417)
	$21,444,453	$21,234,347	$15,968,717

FIRST BANK SYSTEM, INC.

Income Taxes

The reconciliation between income tax expense and the amount computed by applying the statutory federal income tax rate is as follows (in thousands):

	1981	1980	1979
Consolidated:			
46% of pretax income before securities transactions	$50,068	$61,898	$62,663
Plus state income tax, net of federal tax benefit	6,573	8,035	8,007
	56,641	69,933	70,670
Less tax effect of:			
Interest on state and political subdivision securities	39,049	36,635	30,217
Other tax exempt interest and dividends	12,439	9,230	5,977
Investment tax credits on premises and equipment	3,315	1,461	1,655
Other items	128	(330)	(62)
	54,931	46,996	37,787
INCOME TAX EXPENSE	$ 1,710	$22,937	$32,883
Parent Company:			
46% of pretax income	$13,961	$13,804	$12,664
Less tax effect of:			
Nontaxable dividends from subsidiaries	21,165	18,695	17,804
Other	1,004	(269)	(240)
	22,169	18,426	17,564
	$(8,208)	$(4,622)	$(4,900)

EXAMPLES Carryforward and carryback of tax losses or credits (footnotes)

FIRST PENNSYLVANIA CORPORATION

Income Taxes

Income taxes (benefits) recorded in the consolidated statement of income were as follows:

	Year Ended December 31		
	1981	1980	1979
Continuing operations	$3,117	$ 448	$(15,827)
Securities transactions	-	(4,933)	(4)
Discontinued operations	-	4,889	3,241
Disposal of discontinued operations	-	(3,800)	-
Total	$3,117	$(3,396)	$(12,590)

Income taxes (benefits) related to continuing operations include the following components:

	Year Ended December 31		
	1981	1980	1979
Current:			
Federal	$ -	$(3,944)	$ 275
Foreign	3,003	4,338	4,451
State	114	54	27
	3,117	448	4,753
Deferred--Federal	-	-	(20,580)
Total	$3,117	$ 448	$(15,827)

In 1981, the Corporation elected to use a portion of its consolidated tax loss to recover taxes paid in prior years. Accordingly, the Corporation filed claims with the Internal Revenue Service and anticipates a cash refund of prior years' taxes aggregating $11,688. This election resulted in extraordinary income of $6,720 in 1981 which was net of previously recorded benefits.

FIRST AMERICAN BANK CORPORATION

Federal Income Tax

At December 31, 1981 the Corporation had investment tax credit carryforwards of $2,273,000 and foreign tax credit carryforwards of $697,000 available for application against future taxes payable. If they are not used, these credits expire as shown below.

Investment Tax Credit		Foreign Tax Credit	
Year of Expiration	Credit	Year of Expiration	Credit
1988	$424,000	1983	$119,000
1989	71,000	1984	226,000
1990	104,000	1986	352,000
1991	161,000		
1992	123,000		
1993	327,000		
1994	355,000		
1995	394,000		
1996	314,000		

Financial statement net operating loss carryforward of a purchase subsidiary totalled $11,700,000 at December 31, 1981. These benefits will be recognized as a reduction of goodwill upon realization.

OLD STONE CORPORATION

Applicable Income Taxes

Total applicable income taxes (benefit) for the years ended December 31 are as follows:

(in thousands)	1981	1980	1979
Tax expense (benefit) on:			
Income (loss) before securities transactions	$(5,621)	$2,567	$2,454
Securities transactions	(186)	(26)	54
Total tax expense (benefit)	$(5,807)	$2,541	$2,508
Allocation between current and deferred portions:			
Current tax expense (benefit)			
Federal	$(6,544)	$ 961	$1,078
State	157	746	902
Foreign	580	-0-	-0-
Total current	(5,807)	1,707	1,980
Deferred tax expense			
Federal	-0-	589	360
State	-0-	245	168
Total deferred	-0-	834	528
Total tax expense (benefit)	$(5,807)	$2,541	$2,508

The amounts previously reported as current and deferred portions of the provision for 1979 and 1980 have been revised based upon determinations made when the applicable consolidated tax returns were filed. Due to the net operating loss incurred in 1981, all federal deferred tax credits for the prior ten year carryback period have been reversed.

CENTRAL NATIONAL CHICAGO CORPORATION

In 1980 and 1979, the Company amended certain of its income tax returns applicable to prior years as a result of amendments to certain Internal Revenue Service regulations. The filing of these amended income tax returns allowed the Company to carry back losses which arose principally in 1975 for financial reporting purposes to 1969 and 1970 and resulted in refunds of taxes of $33,000 in 1980 and $1,654,000 in 1979. In 1981 and 1979 the period of utilization of the Company's net operating loss carryforward was extended (currently through 1996); accordingly, in 1981 and 1979 deferred income taxes of $187,000 and $177,000 that were expected to become payable during the extended carryforward period were reversed. These refunds, reversals of deferred taxes and federal income taxes of $231,000 arising from 1979 consolidated results of operations represent utilization of prior years' net operating losses and are shown as extraordinary credits in the consolidated statements of income. The Company has a net operating loss carryforward of approximately $15,733,000 available to reduce future taxable income which expires as follows: 1983--$5,840,000; 1986--$3,416,000; 1993--$425,000; 1995-$3,727,000; 1996--$2,325,000.

Investment tax credits are recorded in the year which they are utilized for tax purposes (flow through method). At December 31, 1981, the Company has unused investment tax credits approximating $314,000 which expire as follows: 1989--$116,000; 1990--$14,000; 1991--$5,000; 1992--$15,000; 1993--$124,000; 1994--$14,000; 1995--$14,000 and 1996-$12,000.

The provisions for foreign taxes represent taxes withheld at foreign sources attributable to transfers of interest on foreign loans.

The Company files a consolidated federal income tax return with its subsidiaries. Individual companies reporting taxable income are allocated income tax charges. Income tax credits are allocated to the extent realized by the consolidated group for the current year.

CENTRAN CORPORATION

Income Taxes

For the years 1981 and 1980, Centran reported a tax loss for financial statement purposes. Federal income tax benefits were recorded on the losses to the extent that they could be carried back to offset income previously taxed, or recognized as an offset to existing net deferred tax credits. The provision (credit) for income taxes for each of the three years ended December 31, 1981, was as follows:

	1981	1980	1979
Provision (Credit) on:			
Income Before Securities Transactions	$(3,220)	$ (960)	$ 3,755
Securities Transactions	(950)	(1,757)	(1,743)
Total Provision (Credit)	$(4,170)	$(2,717)	$ 2,012

The current and deferred portions of the provision (credit) for income taxes were as follows:

	1981	1980	1979
Current:			
Domestic Federal Income Tax	$(3,907)	$(3,937)	$ 2,439
Foreign Taxes	945	1,030	880
Deferred:			
Domestic Federal Income Tax	(1,208)	190	(1,307)
Total Provision (Credit)	$(4,170)	$(2,717)	$ 2,012

The net tax effects of timing differences that make up the deferred portion of the provision for income taxes for the three years ended December 31, 1981, were as follows:

	1981	1980	1979
Provision for Loan Losses	$ (560)	$ 338	$ (189)
Cash Basis Tax Reporting	(210)	(531)	(1,646)
Other	(781)	383	528
Total	(1,551)	190	(1,307)
Elimination of Deferred Taxes due to Net Operating Loss Carryforward:			
Current Period	1,551	-0-	-0-
Prior Periods	(1,208)	-0-	-0-
Total Deferred Taxes (Credit)	$(1,208)	$ 190	$(1,307)

As of December 31, 1981, the Corporation has loss carryforwards of approximately $13,860,000 for financial reporting purposes and $14,650,000 for tax purposes. Tax losses of bank affiliates totaling $10,150,000 have a carryforward period expiring in 1986. The remaining tax loss carryforward will expire in 1996. The tax effect of the difference between the loss carryfowards for tax and for financial reporting purposes will be treated as a reinstatement of deferred income taxes upon realization.

Investment tax credits for 1981 of $553,000 which have not been recognized in the financial statements are also available for reduction of future years' tax provisions. They will expire in 1996. At year-end 1981 investment tax credits of prior years of approximately $2,525,000 were available for application against future taxes payable. They will expire in varying amounts from 1989 through 1995. In addition, foreign tax credits of approximately $4,439,000 were available at year-end 1981 for application against future taxes payable. They will expire as follows: $806,000 in 1982, $744,000 in 1983, $1,179,000 in 1984, and $1,710,000 in 1985.

The Corporation's Federal income tax provision (credit) generally differs from the Federal income tax computed at the statutory rate. A reconciliation of this difference for each of the three years ended December 31, 1981, follows:

	1981	1980	1979
Federal Income Tax (Credit) at Statutory Rate of 46%	$(12,112)	$ 9,829	$11,389
Increase (Decrease) Resulting From:			
Tax-Exempt Dividend and Interest Income	(11,838)	(11,746)	(8,831)
Write-off of Goodwill--Non-Bank Affiliates	1,855	-0-	-0-
Foreign Income Taxes with No Current U.S. Tax Benefit	945	-0-	-0-
Investment Tax Credit	-0-	(275)	(494)
Other (Net)	(5)	(525)	(52)
Total	(21,155)	(2,717)	2,012
Tax Benefit Relating to Tax Loss and Credit Carryforwards Not Recorded in Financial Statements	13,202	-0-	-0-
Expired Credits	3,783	-0-	-0-
Total Provision (Credit)	$ (4,170)	$ (2,717)	$ 2,012

MERCHANTS NATIONAL CORPORATION

Income Taxes (excerpt)

An analysis of the difference between the statutory income tax rate and the effective income tax rate on pre-tax income is presented in the following table:

	1981		1980		1979	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Foreign Pre-tax Income (Loss)	$(6,565,000)		$ 4,329,000		$ 2,788,000	
U.S. Pre-tax Income (Loss)	(2,367,214)		8,641,608		14,244,018	
Total Pre-tax Income (Loss)	$(8,932,214)		$12,970,608		$17,032,018	
Expected Income Tax (Refund) at Normal Rate	$(4,108,818)	(46.0)%	$ 5,966,480	46.0%	$ 7,834,728	46.0%
Tax-exempt Interest Income	(5,709,461)	(63.9)	(6,258,164)	(48.2)	(3,050,966)	(17.9)
Investment Tax Credit	(83,830)	(.9)	(1,102,275)	(8.5)	(450,075)	(2.6)
Other	193,733	2.1	54,040	.4	88,404	.5
Income Tax Expense (Credit)	$(9,708,376)	(108.7)%	$(1,339,919)	(10.3)%	$ 4,422,091	26.0%

The Corporation incurred a net operating loss of approximately $31,700,000 in 1981. After offsetting taxable income from prior years, $17,200,000 of this loss remained as a carryforward at December 31, 1981, and was applied against the deferred income tax liability. Tax benefits recognizable on losses after 1981 approximate $1,700,000.

(continued)

Investment tax carryovers at December 31, 1981 were $5,330,000. These credits were offset against the deferred income tax liability. After this offset, accumulated deferred income taxes and unamortized investment tax credits totaled $2,000,000 and $9,144,000 at December 31, 1981 and 1980.

UNITED VIRGINIA BANKSHARES INCORPORATED

Income Taxes

The income tax expense (benefit) included in the accompanying statements of income is classified as follows:

	Consolidated			Bank		
$ in thousands	1981	1980	1979	1981	1980	1979
Tax expense (benefit) attributable to:						
Income before securities transactions	$(1,270)	$ (613)	$ 5,136	$(1,270)	$ (520)	$ 6,074
Securities transactions	(2,555)	(2,354)	(2,826)	(2,555)	(2,354)	(2,826)
Total	$(3,825)	$(2,967)	$ 2,310	$(3,825)	$(2,874)	$ 3,248

The current and deferred components of income tax expense (benefit) are as follows:

	Consolidated			Bank		
$ in thousands	1981	1980	1979	1981	1980	1979
Current:						
Federal	$(3,362)	$ 304	$ 3,220	$(3,173)	$ 1,073	$3,931
State and local	(28)	58	(425)	(28)	58	(425)
Foreign	226	382	271	226	382	271
Total current	(3,164)	744	3,066	(2,975)	1,513	3,777
Deferred	(661)	(3,711)	(756)	(850)	(4,387)	(529)
Total	$(3,825)	$(2,967)	$(2,310)	$(3,825)	$(2,874)	$3,248

In addition to state and local income tax expenses and benefits above, which pertain to the non-bank affiliates, United Virginia Bank incurred Virginia Bank Franchise Taxes of $1,628,000 in 1981, $1,263,000 in 1980 and $1,347,000 in 1979. This tax is imposed upon banks in Virginia in lieu of income and personal property taxes. The Bank remits 80% of the tax to the Virginia municipalities in which it does business and the remaining 20% to the State.

The primary timing differences and the resulting deferred income tax expense (benefit) are as follows:

	Consolidated			Bank		
$ in thousands	1981	1980	1979	1981	1980	1979
Provision for possible loan losses on tax return less than the provision charged to operating expense	$(1,997)	$(4,440)	$(295)	$(1,997)	$(4,440)	$(295)
Gain on purchase of 7 3/4% debentures deferred for tax purposes	-	894	-	-	-	-
Other--net	1,336	(165)	(461)	1,147	53	(234)
Total	$ (661)	$(3,711)	$(756)	$ (850)	$(4,387)	$(529)

EXAMPLE Recognition of the future benefit of tax losses and credits (footnotes)

NEW JERSEY NATIONAL CORPORATION

Income Taxes

The provision for income taxes includes current taxes and deferred taxes as follows:

	1981	1980	1979
Current tax expense (benefit):			
Federal income tax on:			
Operations	$ 2,263,746	$(1,716,499)	$(3,622,222)
Securities gains (losses)	(1,642,727)	-	(337,967)
State income taxes	74,121	403,247	738,811
	695,140	(1,313,252)	(3,221,378)
Deferred (prepaid) tax expense:			
Accretion income on investment securities	12,821	99,259	94,635
Provision for possible loan losses	(89,002)	-	-
Excess of book over tax expense on other real estate owned	(455,720)	-	-
Excess of tax over book income resulting from cash basis tax accounting for credit card fees	(400,710)	-	-
Other items	142,904	(104,639)	(1,226)
	(789,707)	(5,380)	93,409
Income tax benefit	$ (94,567)	$(1,318,632)	$(3,127,969)

Income tax provisions (benefits) do not bear a normal relationship to earnings before income taxes due primarily to the fact that certain income earned by the corporation is not subject to tax.

The provision (benefit) consists of the following:

	1981	1980	1979
Statutory provision on continuing and discontinued operations	$ 5,151,191	$ 1,312,541	$ 1,702,901
Surtax exemption	(19,250)	(19,250)	(19,250)
Tax on securities gains (losses)	(1,749,831)	-	(337,967)
Tax on sale of discontinued operations	-	1,355,870	-
	3,382,110	2,649,161	1,345,684
	1981	1980	1979
Amount applicable to:			
Tax exempt income	(3,667,336)	(4,364,534)	(5,329,213)
Amortization of excess cost of subsidiaries over net assets acquired	63,968	94,636	62,260
Other	52,570	(101,142)	54,489
State income tax	74,121	403,247	738,811
	$ (94,567)	$(1,318,632)	$(3,127,969)

The tax benefit of the 1979 tax loss exceeded by approximately $700,000 the amount of refundable taxes that arose from the carryback of the loss to earlier years. Deferred tax credits of $700,000 that otherwise would amortize in the loss carryforward period were eliminated in 1979. The tax benefit of the 1980 tax loss has been recognized, to the extent of the elimination of approximately $200,000 of deferred tax credits that otherwise would amortize in the loss carryforward period, and by $1,530,000 in anticipation of future taxable income. The tax benefit of the 1981 tax loss has been recognized to the extent of the elimination of approximately $168,000 of deferred tax credits that otherwise would amortize in the loss carryforward period. In addition, losses of approximately $7,500,000 are available for offset against taxable income through 1985.

EXAMPLES Other deferred tax disclosure (footnotes)

SOUTHEAST NATIONAL BANCSHARES OF PENNSYLVANIA, INC.

Income Taxes

Income taxes (benefits) applicable to taxable income (loss) are composed of:

(in thousands)	1981	1980	1979
Currently payable (refundable)	$ -	$(602)	$413
Deferred related to:			
Future tax benefits of current net operating loss	(474)	-	-
Provision for loan losses	-	(344)	(248)
Other, net	-	96	76
	(474)	(850)	241
Securities transactions	(31)	(128)	(24)
Total	$(505)	$(978)	$217

A reconciliation of actual income tax provision and the amount of income taxes which would have been provided for income taxes before securities transactions at the statutory rate of 46% is as follows:

(in thousands)	1981	1980	1979
Provision at statutory rate	$ 2,546	$ 2,283	$ 3,097
Add (deduct)			
Tax-exempt interest income	(3,096)	(2,900)	(2,475)
Investment tax credit, including carry-forward utilized	-	(288)	(384)
All other, net	76	55	3
Total provision (benefit)	$ (474)	$ (850)	$ 241

During 1981, a future tax benefit of approximately $505,000 was recognized. The benefit consisted of $179,000, which was the reversal of existing net deferred tax credits, and $326,000, representing the tax benefit of the current financial accounting net operating loss. Management believes that maturing tax-exempt securities and loans will return the Bank to a taxable position in excess of the loss. As a result, realization of the future tax benefit is assured beyond a reasonable doubt.

As of December 31, 1981 there was a net operating loss carryforward for income tax purposes of $1,033,000, which expires in 1986. The Bank's federal income tax returns have been examined and settled by the Internal Revenue Service through 1979.

NATIONAL BANK OF NORTH AMERICA

Income statement presentation

	1981	1980	1979
Income Before Security Losses	$20,521	$12,055	$17,021
Security Losses--Net of Tax Credit of $9,707 in 1981	7,764	-	-
Net Income	$12,757	$12,055	$17,021

Income tax footnote disclosure (excerpt)

During the latter part of 1981 the bank sold a portion of its low-yielding tax-exempt bond portfolio having a book value of approximately $50 million. The sale resulted in an after-tax loss of $7.8 million and the proceeds were invested in higher-yielding assets which will generate future taxable income.

Although a portion of the deferred tax benefits remain at December 31, 1981, the aforementioned sale of low-yielding tax-exempt bonds will enable the bank to generate taxable income which will be sufficient to absorb all existing tax loss carryforwards and credits in the near future.

UNION PLANTERS CORPORATION

Income Taxes

The sources of timing differences resulting in deferred income taxes and the approximate tax effect of each, assuming a 46% tax rate, are as follows:

	1981	1980	1979
Accretion of securities discount (net of discount accretion realized on securities sold) and difference in basis of securities sold	$ 361,062	$ 70,161	$ 237,371
Losses on loans and foreclosed properties deducted on tax returns greater than provision for losses on loans and foreclosed properties charged to operating expense	615,177	356,893	1,142,168
Proceeds from sale of bond interest coupons and advance collection of certain other interest and fees reported as income for financial statement purposes when earned but included in taxable income when received	1,972,486	(1,400,296)	2,375,338
Unamortized losses on interest rate futures contracts reflected as an adjustment to basis of investment securities for financial statement purposes, but charged to taxable income when paid	(68,097)	1,680,716	-
Conditional installment contracts on foreclosed properties reported as income for financial statement purposes when earned, but included in taxable income when received	678,553	77,356	35,154
Other	1,032,984	921,448	(269,050)
Reversal of hypothetical tax effect of timing differences above for which no deferred tax expense or benefit was recorded	(4,596,484)	(2,105,373)	(3,520,981)
Deferred tax expense (benefit)	$ (4,319)	$ (399,095)	$ -

The extraordinary item of $1,638,000 which increased 1981 net earnings arose from the utilization of carryforward benefits. At December 31, 1981, the Corporation had a tax loss carryforward of approximately $8,000,000. Approximately $5,000,000 of the loss carryforward is attributed to cumulative timing differences that had reduced net earnings for Federal income tax purposes in 1981 and earlier years but had not reduced net earnings for financial reporting purposes.

EXAMPLES Capitalization of Interest

UNITED BANKS OF COLORADO, INC.

(Summary of significant accounting policies)

Capitalized Interest Cost:
The Company, in connection with construction of new office buildings, has elected to capitalize interest costs based upon the weighted average interest rate of various interest bearing obligations. The capitalized interest of $1,147,000 in 1981 and $411,000 in 1980 was recorded in premises and equipment and has been subtracted from interest expenses.

AMERICAN SECURITY CORPORATION

(Summary of significant accounting policies)

During 1979 and 1980, interest was capitalized, over the period of construction, on the imputed cost of financing assets constructed for the Corporation's use. This capitalized interest is shown as a subtraction from interest expense in the Consolidated Statement of Income, and has been included in the costs of the related assets. Since this interest is an element included in the total cost, it will be depreciated or amortized over the assets' useful lives.

ARIZONA BANK

(Premises and equipment note)

In 1981, the bank began capitalizing interest on assets that require a period of time to prepare them for their intended use. The amount capitalized is the interest cost incurred during the period of development and construction. The interest rate for capitalization purposes is based on the average rate of the bank's interest expense on time certificates of $100,000 and over. In 1981, capitalized interest amounted to $928,000.

EXAMPLES Financial futures and forward commitments (summary of accounting policies)

NCNB CORPORATION

Financial Futures--Financial futures are used in the management of the bank's investment security portfolio and liability management (funds management) as well as to hedge the funding of the bank's bullion position. All losses from financial futures contracts utilized by funds management are recognized monthly by valuing them at the lower of cost or market. Profits are not recognized until such times as the contracts mature or are otherwise disposed of. Gains and losses are included in other operating income. Financial futures contracts used in the bank's bullion activities are marked to market monthly with resulting gains or losses included in other operating income.

Bullion and Bullion Futures--Trading and Investment Accounts--All positions held for trading purposes are valued at month end at prevailing market rates. Gains or losses resulting from positions held for investment purposes are deferred and amortized over the life of the bullion futures sale contract used to hedge the bullion asset. Gains and losses on bullion activities are included in other operating income.

UNION PLANTERS CORPORATION

Interest Rate Futures

Gains or losses from specific long hedges (i.e., hedges against interest rate changes in securities to be purchased at a future date for investment purposes) are deferred and included in the measurement of the dollar basis of the security purchased for which the hedge was intended. Such gains or losses are amortized over the holding period of the security purchased. Interest rate futures which are used in overall asset/liability management are characterized as a general hedge rather than as a specific hedge. General hedges are accounted for using the mark to market method.

FIRST UNION CORPORATION

Trading account securities, interest rate futures, forward placement contracts, and standby contracts purchased or sold for the trading account are adjusted to market value. Included in other operating income are gains and losses resulting from adjusting trading account securities to market value and from recording purchases and sales on a trade date basis.

EXAMPLES Extraordinary items--gain on early extinguishment of debt

NCNB CORPORATION

Income statement presentation

	1981	1980	1979
Income before extraordinary items	$ 55,008	$ 49,118	$ 45,131
Extraordinary items:			
Gain on exchange of common stock for long-term debt	11,509		
Gain on sale of subsidiary assets, net of income taxes of $1,880			2,023
Net income	$ 66,517	$ 49,118	$ 47,154
Per Share Data Earnings per common share based upon weighted average shares outstanding:			
Income before securities losses and extraordinary items	$ 2.88	$ 2.56	$ 2.41
Securities losses--net	.22	.01	.04
Income before extraordinary items	2.66	2.55	2.37
Extraordinary items--net	.56		.10
Net income	$ 3.22	$ 2.55	$ 2.47
Cash dividends per common share	$ .82	$ .76	$ .62
Weighted average common shares outstanding	20,650,010	19,291,923	19,077,145

Footnote disclosure

On October 16, 1981, the corporation exchanged 1,333,580 shares of newly issued common stock for $29,004,000 principal value of its sinking fund debentures. An extraordinary gain of $11,509,000, which is non-taxable for federal income tax purposes, resulted from the early retirement of the sinking fund debentures.

On July 2, 1979, TranSouth Financial Corporation sold 25 of its North Carolina offices resulting in an extraordinary gain (after taxes) of $2,023,000. This divestiture was required by the Board of Governors of the Federal Reserve System as a condition of their approval of the retention of the corporation's non-bank subsidiaries.

MANUFACTURERS NATIONAL CORPORATION

Income statement presentation

	1981	1980	1979
Income Before Extraordinary Gain	6,442,000	27,566,000	32,222,000
Gain on redemption of 4.65% notes, net of income taxes	2,668,000	-	-
Net Income	$9,110,000	$27,566,000	$32,222,000
Average number of shares outstanding	5,098,232	5,066,599	5,034,488
Per share of common stock:			
Primary:			
Income before securities transactions and extraordinary gain	$1.23	$5.32	$6.62
Income before extraordinary gain	1.26	5.44	6.40
Net income	1.79	5.44	6.40
Fully diluted:			
Income before securities transactions and extraordinary gain	1.23	4.97	6.15
Income before extraordinary gain	1.26	5.08	5.94
Net income	1.77	5.08	5.94

Footnote disclosure

On March 2, 1981, $9,716,000 of 4.65% subordinated notes were redeemed at a 28.9% discount through their purchase by a subsidiary of Manufacturers Bank-Detroit. The Bank is required to retire $306,000 of the remaining notes annually through September 15, 1989 and, at its option, may retire an additional $306,000 in any year without premium. The Bank may make additional prepayments at declining premiums (currently .6975%) until September 15, 1984 and without premium thereafter.

The domestic and foreign components of income before related income taxes included in the consolidated statements of income of the Corporation are as follows:

	1981	1980	1979
Domestic:			
Income (loss) before income taxes, securities transactions and extraordinary gain	$ (9,587,000)	$ 15,721,000	$29,264,000
Securities gains (losses)	159,000	1,141,000	(2,110,000)
Gain on redemption of 4.65% notes	2,808,000	-	-
Total domestic	(6,620,000)	16,362,000	27,154,000
Foreign	3,354,000	1,215,000	3,200,000
Total	$ (3,266,000)	$ 17,577,000	$30,354,000

(continued)

The consolidated credit for income taxes consists of the following:

	1981	1980	1979
Applicable to income before securities transactions:			
Currently payable:			
Federal (refundable)	$ (3,304,000)	$ (7,463,000)	$ (804,000)
Foreign	1,025,000	1,982,000	1,662,000
	(2,279,000)	(5,481,000)	858,000
Deferred federal (credit)	(10,245,000)	(5,033,000)	(1,755,000)
	(12,524,000)	(10,514,000)	(897,000)
Applicable to securities transactions--currently payable (refundable)	8,000	525,000	(971,000)
Applicable to extraordinary gain--currently payable	140,000	-	-
	$(12,376,000)	$ (9,989,000)	$(1,868,000)

CHEMICAL NEW YORK CORPORATION

Income statement presentation

	1981	1980	1979
Income Before Extraordinary Gain	205,166	174,329	129,318
Extraordinary Gain, (Tax Free; $.64 Per Common Share; Fully Diluted $.54)	9,873	-	-
Net Income	$215,039	$174,329	$129,318
Earnings Per Common Share			
Primary:			
Income Before Securities Gains (Losses) and Extraordinary Gain	$13.07	$11.23	$8.68
Net Income	13.06	11.11	8.17
Fully Diluted:			
Income Before Securities Gains (Losses) and Extraordinary Gain	11.52	9.77	7.67
Net Income	11.51	9.67	7.25

Footnote disclosure

In November 1981, the Corporation exchanged 286,467 shares of newly issued common stock for $25,305,000 aggregate principal amount of its 8 1/4% Debentures Due 2002 and $200,000 of its 8.40% Debentures Due 1999. The transaction, net of unamortized issue costs, resulted in a tax-free extraordinary gain of $9,873,000. The retired debentures will be used to meet future sinking fund requirements.

EXAMPLE Discontinued operations

FIRST PENNSYLVANIA CORPORATION

Income statement presentation

	1981	1980	1979
Income (loss) before discounted operations and extraordinary income	$(5,244)	$(145,401)	$12,575
Income (loss) from discontinued operations, net of tax	-	(11,638)	3,888
Loss on disposal of discontinued operations, net of tax	(1,200)	(7,050)	-
Total applicable to discontinued operations	(1,200)	(18,688)	3,888
Income (loss) before extraordinary income	(6,424)	(164,089)	16,463
Extraordinary income--recovery of prior years' income taxes	6,720	-	-
Net income (loss)	$ 296	$(164,089)	$16,463
Earnings (loss) per share			
Income (loss) before securities transactions, discontinued operations and extraordinary income	$(.33)	$ (4.70)	$ .81
Securities transactions	-	(4.57)	-
Discontinued operations	(.07)	(1.20)	.25
Extraordinary income	.42	-	-
Net income (loss)	$.02	$(10.47)	$1.06

Footnote disclosures

In August 1980, the Corporation completed the sale of its consumer finance subsidiaries and the mortgage banking operation of Pennamco to Manufacturers Hanover Corporation and ceased normal operations at First Pennco Securities. Accordingly, advances to and investments in those discontinued operations and operating results therefrom have been treated as discontinued in the accompanying financial statements. The loss on disposal of discontinued operations in 1981 of $1,200 represented an addition to the liquidation reserve of Pennamco. The reserve increase reflected the current difficulty of the real estate market due to high interest rates. The total loss related to discontinued operations in 1980 was $18,688 which included an $11,638 operating loss from companies either sold or designated as liquidating during 1980, and a $7,050 loss from the disposal of those operations which included both realized and expected losses, net of gains.

The Corporation is committed to the liquidation of the remaining assets of Pennamco by December 31, 1983. Due to the volatility of interest rates and the effect on real estate values, adjustments may be required.

The principal assets and the contribution to earnings of these discontinued operations at December 31, and for the respective years then ended are as follows:

	First Pennco Securities	Consumer Finance Cos.	Pennamco	Total
1981				
Receivables from brokers/dealers	$14,291	$ -	$ -	$ 14,291
Loans	-	9,200	55,301	64,501
Allowance for liquidation losses	(1,423)	(1,072)	(26,559)	(29,054)
Total assets	14,234	8,599	64,454	87,287
Investment in net assets	-	8,674	62,468	71,142
1980				
Trading account securities	$22,018	$ -	$ -	$ 22,018
Receivables from brokers/dealers	14,134	-	-	14,134
Loans	-	18,147	71,057	89,204
Allowance for liquidation losses	(786)	(2,888)	(33,131)	(36,805)
Total assets	37,002	15,606	76,328	128,936
Investment in net assets	19,150	15,353	74,902	109,405
Net interest revenue	(3,716)	19,948	(6,643)	9,589
Trading profits	19,772	-	-	19,772
Net income (loss)	3,075	(3,325)	(11,388)	(11,638)
1979				
Net interest revenue	$(4,661)	$42,212	$ (5,023)	$ 32,528
Trading profits	19,976	-	-	19,976
Net income (loss)	997	6,153	(3,242)	3,888

FIDELITY UNION BANCORPORATION

Income statement presentation

	1981	1980	1979
Income from Continuing Operations	$24,751	$23,902	$22,598
Discontinued Operations			
Loss from Operations of Discontinued Suburban Finance Company After Applicable Taxes of $(3,751), $(603) and $(177)	(4,400)	(680)	(153)
Loss on Disposal of Surburban Finance Company Including Provision of $1,715 for Collection of Remaining Loans After Tax Effect of $(2,409)	(2,828)	-	-
Total Losses Applicable to Discontinued Operations	(7,228)	(680)	(153)
Net Income	$17,523	$23,222	$22,445
Income Per Share			
Income from Continuing Operations Before Securities Transactions	$6.57	$6.33	$5.91
Income from Continuing Operations	6.53	6.30	5.91
Net Income	4.63	6.12	5.87

Footnote disclosure

On October 5, 1981 the Company sold the majority of the receivables and other assets of its consumer finance subsidiary, Suburban Finance Company, to the Dial Corporation of Des Moines, Iowa for $34,185,000 in cash. The proceeds of the sale were used to reduce the borrowings that had been funding the receivables. The sale resulted in a loss of $2,828,000 after tax effect of $2,409,000. The remaining consumer finance subsidiary assets, net of allowance for loan losses, are included in other assets on the Consolidated Balance Sheet as of December 31, 1981. The Consolidated Statement of Income for the years 1979 and 1980 has been reclassified to reflect Suburban's results of operations as "discontinued operations".

During the third quarter of 1981, the Company signed a letter of intent to sell the 13-office Burlington County Trust Company. The letter of intent provides for the sale of the common stock for $24 million which will result in a modest profit to the Bancorporation. The sale of the Burlington County Trust Company will be to a new bank holding company to be formed and is subject to regulatory approval.

BANKERS TRUST NEW YORK CORPORATION

Income statement presentation

	Year Ended December 31,		
	1981	1980	1979
Other income		(in thousands)	
Trust and custodian income	$74,708	$63,368	$61,078
Acceptances and letters of credit commissions	44,601	37,299	28,106
Credit card fees and commissions	31,221	18,635	18,214
Trading account profits and commissions	39,485	50,023	27,082
Foreign exchange trading income	30,780	22,815	16,604
Gain on disposition of branches, net	-	54,451	-
Gain on reacquisition of long-term debt	6,209	11,573	778
Other	90,365	71,801	59,183
Total other income	317,369	329,965	211,045

Footnote presentation

Sale of Credit Card, Upstate Banks and Branches

In 1981, the Corporation announced that it proposed to sell substantially all of its credit card business and its four commercial banking subsidiaries in upstate New York.

During 1980, Bankers completed the sale of 80 branch offices in the Metropolitan New York area. The branches sold had combined deposits of $908 million and assets of $271 million at the dates of closing. Bankers received premiums, net of expenses, of $54.5 million before taxes and $33.1 million after taxes. Due to the integrated nature of the branch network within Bankers' overall operations, it is not possible to make a precise segregation of income and expense attributable to the branches that have been sold. Subject to this limitation, the net income of the 80 branches was $6.2 million in 1980, through the various dates of sale, $9.0 million in 1979 and $3.2 million in 1978. It should be understood that the net income information was developed using various estimates and assumptions, the most significant of which is the credit given for the funds provided by the 80 branches. This credit was based on the actual rate paid during the applicable period for domestic purchased liabilities, but excluded those funds specifically assigned to money market assets and to overseas branches.

Management discussion presentation

Sale of Credit Card and Upstate Banks

In August of 1981, the Corporation announced that it proposed to sell substantially all of its credit card business (the "Credit Card") and its four commercial banking subsidiaries in upstate New York (the "Upstate Banks"). The sales would complete the Corporation's withdrawal from retail banking, which is consistent with the Corporation's business strategy to devote its full resources to providing wholesale banking, money market, corporate finance and fiduciary services to corporations, governments, financial institutions and certain individuals.

The total assets involved in the proposed sales approximate $1.8 billion and account for approximately 5 percent of the $34.2 billion in consolidated assets of the Corporation at December 31, 1981. Although a gain is expected on the sales, the amount will not be known until the respective sales are closed and, in fact, no assurance can be given that any or all such transactions will be completed.

The sales of the Credit Card and the Upstate Banks will be subject to the approval of any appropriate regulatory authorities.

Credit Card

Prior to year-end, the Corporation signed an agreement with the First National Bank of Chicago for the sale of the Credit Card, which had assets of approximately $650 million at December 31, 1981.

The table below is an attempt to segregate income and expense attributable to the Credit Card. Due to the integrated nature of the Corporation's overall operations, it was necessary to use various estimates and assumptions in order to allocate expenses to the Credit Card. In addition, assumptions are made for internal purposes to estimate a "cost of funds" charge for the Credit Card. This charge was based on the actual rate paid during the applicable period for domestic purchased liabilities, but excluded those funds specifically assigned to money market assets and to overseas branches.

Summary of Credit Card Operating Results

	Year Ended December 31,			
	1981	1980	1979	1978
	(in millions)			
Average receivables outstanding	$618	$578	$509	$428
Interest income and other income	$112	$ 90	$ 82	$ 70
Direct and indirect operating expenses	40	36	35	31
Income before cost of funds and income taxes	72	54	47	39
Cost of funds	100	75	56	34
Income (loss) before income taxes	(28)	(21)	(9)	5
Income tax expense (benefit)	(17)	(12)	(5)	3
Net income (loss)	$(11)	$ (9)	$ (4)	$ 2
Rate used to determine cost of funds	16.26%	12.92%	10.98%	8.00%

(continued)

As can be seen from the table above, the earnings performance of the Credit Card is dependent on assumptions made in the rate used for cost of funds. Different assumptions would materially change the earnings of the Credit Card.

Upstate Banks

The Corporation has signed agreements with certain banks for the sale of two of the Upstate Banks, Bankers Trust Company of Hudson Valley, N.A. and Farmers National Bank of Malone, which have assets of approximately $327 million and $121 million, respectively, at December 31, 1981. In addition, the Corporation expects to reach agreement later this year on the sale of the other two banks, Bankers Trust Company of Albany, N.A. and Bankers Trust Company of Western New York. The table below shows selected financial data for the four banks for the past four years.

Selected Financial Data--Upstate Banks

	1981	1980	1979	1978
		(in millions)		
Balance sheet data, end of year				
Total assets	$1,138	$1,078	$997	$898
Loans, net	564	554	551	487
Deposits	928	875	832	765
Stockholder's equity	91	98	91	84
Income statement data				
Net interest income	$ 41.2	$ 39.0	$37.4	$34.0
Provision for credit losses	3.0	4.1	4.2	2.4
Net interest income after provision for credit losses	38.2	34.9	33.2	31.6
Other income	6.6	4.4	3.9	3.6
Other expenses	35.2	31.9	29.6	26.6
Income before income taxes	9.6	7.4	7.5	8.6
Income tax expense	.9	.3	1.1	2.2
Net income	$ 8.7	$ 7.1	$ 6.4	$ 6.4

EXAMPLE Loss on sale of loans (footnotes)

OLD STONE CORPORATION

Sale of Loans

On November 3, 1981 the Board of Directors of the Corporation authorized the sale of approximately $175,000,000 of fixed rate loans by the Corporation and its subsidiaries. The loans authorized for sale, consisting of consumer installment loans, first mortgage loans, second mortgage loans and certain commercial term loans, were transferred to a separate account for resale at their estimated market value.

At December 31, 1981, $170,600,000 of the loans had been sold or were in process of sale. The pre-tax loss on these loan sales was $18,340,000. The market value of the loans remaining to be sold at December 31, 1981 was $36,655,000. In connection with the loan sale, the Corporation has guaranteed $7 million related to the collectibility of the loans sold.

UNITED AMERICAN BANK IN KNOXVILLE

The Bank has sold certain installment loan contracts to correspondent banks. Under the sales agreements, the Bank pays interest on the aggregate outstanding balance of the contracts, less unearned interest (net balance), at the rate of .5% above the prime rate. At December 31, 1981 and 1980, the outstanding net balances of these contracts were approximately $9,370,000 and $2,061,000, respectively.

Under the agreement, the Bank collects all funds remitted by obligors under the contracts and remits the collected funds plus accured interest on the average balance to the correspondents on a monthly basis. The Bank retains the normal contract interest earned as compensation for servicing the loans.

The total balances of the loans and related unearned interest are not reflected in the financial statement at December 31, 1981 and 1980. The net interest differential was approximately $451,000 in 1981. The contracts can be repurchased at the Bank's option on the monthly settlement date.

CHAPTER 3

Notes to Financial Statements

Notes to financial statements include disclosures required by generally accepted accounting principles, and for public companies, certain additional disclosure requirements of Regulation S-X. Also, supplemental information required by FASB Statement No. 33 may be included in the notes to financial statements (see Chapter 6). Examples of footnote disclosures are included in every chapter depending upon the subject matter. This chapter focuses on new disclosures and several other significant disclosures which indicate trends.

Compensated absences

In 1980, the FASB issued Statement No. 43, "Accounting for Compensated Absences." This statement requires accrual of the liability for costs of absences for vacations, illnesses, holidays and other personal absences if certain conditions are met.

The statement is effective for fiscal years beginning after December 15, 1980. Among the surveyed companies, 8% (2% in 1980) made disclosures about compensated absences.

Table 12. Compensated Absences

	Commercial Banks		Holding Companies	
	81	80	81	80
Accounting for compensated absences discussed in:				
Accounting policy footnote	25%		50%	40%
Separate footnote	75	100%	50	60
	100%	100%	100%	100%
Disclosure of change in accounting for compensated absences was effected by:				
Cumulative effect at the beginning of the period and:				
Prior periods restated	50%		44%	
Restatement not disclosed	50		31	40%
	100		75	40
Cumulative effect not disclosed			25	
Estimated effect disclosed	*	100%	*	60
	100%	100%	100%	100%
Number of companies disclosing compensated absences	4	1	16	5

*Not applicable for 1981.

Interim financial data

Disclosure of comparative unaudited quarterly financial data is no longer required to be made in financial statements of companies that have securities registered with the SEC. However, these disclosures are still required in annual shareholders reports. Federal banking regulators have not changed their requirement for disclosure of quarterly data if the commercial banks reporting to them under the 1934 Act meet certain size and other criteria. Although interim information is generally marked "unaudited," certain review procedures must be performed by the company's independent accountants. Of the reports that included a footnote on quarterly operations in 1981, none (3% in 1980) of the commercial banks and 3% (5% in 1980) of the holding companies referred to independent accountants review of the quarterly data.

Companies affected by this requirement are generally those listed on national stock exchanges or active OTC companies. The quarterly data may be omitted if total assets at the latest fiscal year end were less than $200 million, or income after taxes but before extraordinary items and the cumulative effect of an accounting change for at least one of the three years was less than $250,000.

Table 13. Reports That Include Interim Financial Data

	Commercial Banks		Holding Companies	
	81	80	81	80
Quarterly data:				
Included in annual report but not in the notes to financial statements	21%	12%	65%	64%
In the notes to financial statements	40	48	32	33
Not included	39	40	3	3
	100%	100%	100%	100%

Publicly traded companies that issue interim financial information and do not issue a separate fourth quarter report or disclose the results of the fourth quarter in their annual reports are required by APB Opinion No. 28 to disclose the following fourth quarter activities in their annual reports:

Disposal of a segment of a business

Extraordinary, unusual or infrequently occurring items

Aggregate effect of year-end adjustments material to the results of the fourth quarter (similar in some respects to changes in accounting estimates)

Of the surveyed companies reporting quarterly data, three included disclosures of extraordinary, unusual or infrequently occurring items and disclosures of material fourth quarter adjustments.

Related party transactions

Statement on Auditing Standards No. 6, "Related Party Transactions," requires that certain types of related party transactions be adequately disclosed in the financial statements.

In addition, Article 9 of Regulation S-X requires disclosure of loans to or borrowings from directors, executive officers, or principal holders of equity securities when the aggregate amount of such loans or borrowings exceeds 5% of shareholders' equity. Loans and borrowings include outstanding amounts with any businesses in which those persons have a 10% interest, with trusts and estates in which they are involved, and with relatives living with them.

Table 14 and the examples that follow deal with the most frequent types of related party transactions disclosed. A reporting entity could have disclosure of related party transactions concerning both loans and leases; therefore, a surveyed entity could be accounted for in each of the captions cited in this table.

Related party transactions are generally disclosed in the notes to financial statements. However, 32% (36% in 1980) of the surveyed holding companies made related party disclosures on the face of either the balance sheet or income statement.

The table indicates an increasing trend in the number of related party transaction disclosures. In 1981, 80% of the reports surveyed contained disclosure of related party transactions, while 72% of the surveyed reports contained such disclosures in 1980.

Table 14. Related Party Transactions

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports in which related party transactions were:				
Disclosed	74%	68%	80%	74%
Not disclosed	26	32	20	26
	100%	100%	100%	100%
Reports that disclosed specific related party transactions included disclosures of:				
Loans	86%	86%	99%	97%
Lease arrangements	14	10	7	5
Deposits or indebtedness	36	17	27	5
Other	1	0	3	5

Foreign activities and other segment information

FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," requires that disclosure of industry segments, foreign operations, export sales and major customers be included as a part of the financial statements. Banking is generally considered a single industry.

Disclosures applicable to banks include:

Revenue, operating income and asset data about significant foreign operations in the aggregate and by significant geographic areas.

The dependence on a single customer(s) and the amount of revenue from each.

Article 9 of Regulation S-X, which applies to all financial statements included in SEC filings, also requires disclosure of certain foreign activities including information relating to activities with customers domiciled in foreign countries.

Information relative to foreign activities was disclosed by 29% of the commercial banks (27% in 1980), and 45% of the holding companies (43% in 1980). Of those including foreign activities information in the financial statement footnotes or in footnote referenced sections of the report text, approximately 41% (53% in 1980) provided data by geographic areas.

The following table reflects the topics and types of information most frequently included in foreign activities disclosure.

Table 15. Foreign Activities Disclosure

	1981	1980
Reports disclosing foreign activities reported them in the following formats:		
Footnote:		
Financial statement format	21%	39%
Condensed or summarized data	69	50
Incorporated by reference to report text:		
Financial statement format	5	3
Statistical summaries	5	8
Reports that disclosed the following foreign activity information in the accounting policy footnote:		
Foreign branches and/or subsidiaries	12	15
Method of recognizing income from foreign branches or subsidiaries	8	12
Method of translation of foreign currencies	12	13
Basis of translation	20	22
Disposition of gain or loss on translation	18	20
Reports that disclosed foreign activities included the following topics:		
Foreign currency assets and liabilities	78	82
Foreign branches and subsidiaries	51	57
Foreign exchange gains or losses	25	27
Reports that disclosed foreign activities included the following specific disclosures:		
Loans	66	83
Allowances for loan losses	55	59
Bank balances outside the U.S.	61	63
Deposits	64	83
Other borrowings	38	50
Revenue	69	70
Expenses	59	59
Income before taxes	64	68
Net income	64	62
Estimates and assumptions used	57	65
Method of pricing transfers	36	34
Number of reports disclosing foreign activities	107	96

During 1981, the FASB issued Statement No. 52 "Foreign Currency Translation." The Statement is effective for calendar year 1983, although earlier application is encouraged. Several of the surveyed companies adopted the revised rules for 1981.

Acquisitions

Forty percent of the surveyed companies reported at least one acquisition during 1981 compared to 38% in 1980. In 1981, 18% (19% in 1980) of the companies reporting acquisitions reported them as poolings, while 68% (77% in 1980) reported the acquisitions as purchases. The remaining 14% (4% in 1980) had more than one acquisition and they reported at least one as a purchase and at least one as a pooling.

Accounting for goodwill

Regulatory authorities generally require banks to write off goodwill to undivided profits. However, holding companies can record goodwill as long as it is not reflected in the separate financial statements of subsidiary banks. Eighteen percent (22% in 1980) of the commercial banks included in the survey indicated that they had charged goodwill to undivided profits. The majority of commercial banks making such disclosures also disclosed the amounts or indicated that they were not material. Four of the surveyed commercial banks received qualified opinions from their independent accountants as a result of this departure from generally accepted accounting principles.

Forty-nine percent (44% in 1980) of the surveyed holding companies disclosed their methods of amortizing goodwill.

Investments in other financial institutions

In anticipation of revised rules regarding interstate banking, several surveyed companies have made substantial investments in commercial banks and holding companies in other states. Some also have signed agreements to complete the acquisition if the applicable laws and regulations are revised in future periods of up to 15 years. Several of these current investment and possible future acquisition agreements have been made with banks incurring financial difficulty.

Standby letters of credit and other commitments and contingencies

A "standby" letter of credit is issued to assure the beneficiary that in the event of nonperformance or nonpayment of an obligation, the beneficiary may request payment from the issuing bank. Because of this guarantee feature, standby letters of credit have been popular in designing new types of financing transactions. Even though none of the parties to a standby letter of credit expects the letter to be drawn upon, the financial markets react favorably to an instrument that carries standby support. In the case of commercial paper, for example, a lower interest rate may more than compensate for the cost of a letter of credit fee.

Both FASB Statement No. 5 and Article 9 of Regulation S-X require disclosure of amounts of standby letters of credit.

Eighty-seven percent (89% in 1980) of the surveyed commercial banks and 90% (92% in 1980) of the holding companies disclosed balances of standby letters of credit outstanding. Fifty-one percent of the surveyed companies disclosed balances of standby letters of credit for two years and 49% disclosed only the current year balance. Other disclosures typically found in this footnote are pending litigation arising in the normal course of business and a general statement as to other commitments.

Table 16 indicates the range of increases from 1980 to 1981 in balances of standby letters of credit reported by surveyed companies disclosing them. The table also indicates other types of contingencies and commitments made by surveyed companies.

Table 16. Standby Letters of Credit and Other Commitments and Contingencies

	Commercial Banks		Holding Companies	
Percentage of companies disclosing standby letters of credit that disclosed:				
Increased balances	91%		90%	
Decreased balances	9		10	
	100%		100%	
Percentage increase (1980-1981) in standby letter of credit balances for those companies that disclosed increased balances:*				
0% - 50%	63%		45%	
50% - 100%	30		33	
100% - 150%	4		7	
over 150%	3		15	
	100%		100%	
Reports in which the following other commitments and contingencies were disclosed:				
	81	80	81	80
Sinking fund or redemption requirements for capital stock or long-term debt	34%	39%	46%	48%
Commercial letters of credit	17	3	12	7
Loan commitments	9	5	10	14
Guarantee of indebtedness	3	3	7	9

*Data not surveyed in 1980

Dividend restrictions

Article 9 of Regulation S-X and federal bank regulators' 1934 Act disclosure rules require disclosure of the most restrictive limitation on the availability of undivided profits or retained earnings for the payment of dividends. Such restrictions can be caused by regulation or by contractual agreement such as those in a debt obligation. In 1981, 47% (57% in 1980) of the surveyed commercial banks and 68% (48% in 1980) of the surveyed holding companies disclosed restrictions which limited payment of dividends to shareholders.

In Staff Accounting Bulletin No. 26 the SEC stated that disclosure should be made of the amount of dividends that can be paid by subsidiary banks to the parent company without regulatory approval. Eighty-five percent of the surveyed holding companies made this disclosure.

Section 23A of the Federal Reserve Act places restrictions on the terms and amounts of loans and advances that can be made by bank subsidiaries to holding companies or other affiliates. Thirty-three percent of the surveyed companies disclosed these restrictions.

EXAMPLES Compensated absences (summary of accounting policies)

FIRST ARKANSAS BANKSTOCK CORPORATION

Change in Accounting Policy

The change in accounting policy required by FASB No. 43, Accounting for Compensated Absences, was immaterial in any year. The liability for years prior to 1981 has been accounted for by reducing previously reported retained earnings.

FIRST ALABAMA BANCSHARES, INC.

Prior to 1981, First Alabama followed the common practice of accounting for the costs of salaried employees' vacation pay benefits in the period they were paid. Effective January 1, 1981, as a result of recently issued Financial Accounting Standards Board Statement No. 43, "Accounting for Compensated Absences," First Alabama began accruing such benefits as they are earned. As required by the Statement, financial statements for periods prior to 1981 have been restated. The effect of such restatements upon the operating results of prior periods is not material.

FIRST VIRGINIA BANKS, INC.

Change in Accounting

During 1981 the Corporation adopted FASB No. 43, Accounting for Compensated Absences. Since the change in accounting policy was immaterial in any prior period, the liability for earned but unused annual leave prior to 1981 has been accounted for by reducing previously reported retained earnings.

NATIONAL BANK OF ALASKA

Vacation Accrual

The Financial Accounting Standards Board currently requires all companies to accrue for vacation pay. As a result of this requirement, effective January 1, 1981, the Bank accrued vacation pay applicable to service prior to 1981 on all eligible employees. The vacation accrual net of income tax benefits of $323,000 related to periods prior to January 1, 1981, has been charged to undivided profits in 1981. Net income of prior years has not been restated as the effect thereon is not material.

PROVIDENT BANCORP, INC.

Accounting for Vacation Pay

In 1981 Bancorp began accruing employees' vacation pay benefits as they were earned as required by Financial Accounting Standards Board Statement No. 43. Prior to 1981, such benefits were expensed as paid. Since the cumulative after tax effect of this change was not material ($110,000 or $.04 per share), the entire amount was expensed in the quarter ended March 31, 1981 and prior years have not been restated.

FIRST EASTERN BANK, N.A.

Accounting Change

During 1981 the Bank adopted the policy of accounting for vested vacation pay expense on an accrual basis; previously, such costs were expensed as paid. The financial statements for year ended December 31, 1980 have been restated in accordance with the policy change. The restatement, net of tax, has resulted in a reduction of net income for the year ended December 31, 1980 of $23,000 or $.02 per share, and a reduction of January 1, 1980 undivided profits of $143,000.

EXAMPLES Compensated absences (equity statement)

MICHIGAN NATIONAL CORPORATION

Footnote disclosure

Vacation Pay

In 1981, the subsidiary banks adopted Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, and established liability accounts for earned vacation benefits not taken. Accordingly, the amounts of net income previously reported for 1980 and 1979 have each been reduced by $68,000 ($.01 per share) and retained earnings at January 1, 1979, has been reduced by $896,000 to reflect the retroactive effects of this change in accounting. This change had no material effect on net income for 1981.

(continued)

Financial statement presentation

Consolidated Statement of Changes in Common Shareholders' Equity
(Excerpt)

	Common Stock	Surplus	Retained Earnings	Total
Balance, January 1, 1979, as previously reported	$ 76,961,000	$113,651,000	$69,010,000	$259,622,000
Effect of change in accounting for vacation pay			(896,000)	(896,000)
Balance, January 1, 1979, as restated	76,961,000	$113,651,000	68,114,000	258,726,000
Net income			44,098,000	44,098,000
Cash dividends on common stock			(10,204,000)	(10,204,000)
Cash dividends on redeemable preferred stock			(750,000)	(750,000)
Common stock dividend--20%	15,393,000	23,858,000	(39,251,000)	
Balance, December 31, 1979	92,354,000	137,509,000	62,007,000	291,870,000

EXAMPLES Interim financial data (footnotes)

UNITED CAROLINA BANCSHARES CORPORATION

Quarterly financial data (unaudited)

Summarized unaudited quarterly financial data for the three years ended December 31, 1981 is as follows ($000 omitted): (only 1981 presented)

	Three months ended,			
	Mar. 31	June 30	Sept. 30	Dec. 31
1981:				
Interest income	$19,372	$20,884	$22,845	$22,559
Interest expense	(10,810)	(11,817)	(12,896)	(13,300)
Net interest income	8,562	9,067	9,949	9,259
Provision for possible loan losses	(250)	(520)	(451)	(734)
Net interest income after provision for possible loan losses	8,312	8,547	9,498	8,525
Other income	2,305	2,245	2,207	2,591
Other expenses	(7,933)	(8,391)	(8,838)	(9,375)
Income before income taxes and securities transactions	2,684	2,401	2,867	1,741
Applicable income tax (provision) credit (1)	(697)	(570)	(692)	342
Income before securities transactions	1,987	1,831	2,175	2,083
Securities transactions, less related income tax effect	(202)	(3,302)	-	(7)
Net income (loss)	$ 1,785	$(1,471)	$ 2,175	$ 2,076
Per share:				
Income before securities transactions	$ .85	$ .77	$ .92	$ .87
Net income (loss)	$ .76	$ (.62)	$ .92	$ .87

(1) The income tax credit recorded during the fourth quarter of 1981 was largely the result of investment tax credits recorded in connection with the occupancy of a major operations and data processing facility which was completed during the fourth quarter. Due to the size and complexity of this project no estimates for related investment tax credits were included in the calculations of quarterly income tax provisions for periods prior to the completion date.

NATIONAL STATE BANK

Quarterly Financial Data (Unaudited)

Summarized interim financial data are as follows:

	1981			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands except per share)			
Interest income	$20,689	$22,470	$25,148	$22,897
Net interest income	9,808	10,262	10,674	10,550
Provision for loan losses	150	150	150	1,346
Income before securities transactions	2,303	2,472	2,558	1,472
Net Income	2,282	2,474	2,563	1,473
Net income per share	$ .76	$ .82	$ .86	$ .49

	1980			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands except per share)			
Interest income	$16,781	$17,203	$15,747	$19,731
Net interest income	8,246	8,161	8,040	9,887
Provision for loan losses	300	300	300	1,509
Income before securities transactions	1,800	1,697	1,588	1,796
Net Income	1,807	1,707	1,591	1,800
Net income per share	$ .60	$ .57	$ .54	$ .59

CITIZENS AND SOUTHERN GEORGIA CORPORATION

Quarterly Results of Operations (Unaudited)

in thousands, except per share	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1981				
Interest income	$114,403	$127,392	$134,458	$125,925
Net interest income	41,167	41,798	43,673	43,301
Provision for possible credit losses	3,030	3,030	2,530	5,530
Income before taxes and other items	13,859	13,500	15,826	8,636
Income before securities transactions	10,742	10,884	12,188	11,423
Net income	10,809	10,778	12,192	9,765
Per Share:				
Income before securities transactions	$ .36	$ .36	$ .41	$ .38
Net income	.36	.36	.41	.33

in thousands, except per share	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1980				
Interest income	$ 92,159	$ 97,951	$ 89,932	$103,350
Net interest income	42,311	43,399	39,193	40,470
Provision for possible credit losses	5,045	4,045	2,545	2,530
Income before taxes and other items	15,925	19,202	12,220	12,057
Income before securities transactions	9,267	11,032	8,763	8,907
Net income	7,552	11,719	8,765	8,242
Per Share:				
Income before securities transactions	$ .31	$ .37	$ .29	$ .30
Net income	.26	.39	.29	.28

COMMERCE UNION CORPORATION

Quarterly Financial Data (unaudited)

The following is a summary of the consolidated quarterly operating results of the Corporation for the years ended December 31, 1981 and 1980 (dollars in millions except per share data):

	1981 Quarters				1980 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Revenue from earning assets	$61.0	$62.7	$66.9	$64.5	$51.8	$53.0	$48.0	$54.2
Less: Interest expense	45.5	47.8	51.9	48.6	37.1	37.8	33.6	38.2
Net interest revenue	15.5	14.9	15.0	15.9	14.7	15.2	14.4	16.0
Less: Provision for loan losses	2.5	4.0	1.3	1.5	2.7	3.2	3.3	3.4
Net earning asset contribution	13.0	10.9	13.7	14.4	12.0	12.0	11.1	12.6
Plus: Non-interest revenue	4.2	6.3	4.4	5.3	3.9	4.0	4.2	4.3
Net operating revenue	17.2	17.2	18.1	19.7	15.9	16.0	15.3	16.9
Less: Non-interest overhead expense	15.0	16.7	15.8	17.3	13.6	13.7	14.0	14.6
Income from operations before income taxes	2.2	.5	2.3	2.4	2.3	2.3	1.3	2.3
Income tax expense (credit)	-	(.6)	.1	.1	.2	.2	(.3)	-
Income before securities transactions	2.2	1.1	2.2	2.3	2.1	2.1	1.6	2.3
Securities gains (losses), net of applicable income taxes	-	-	(.2)	(.3)	-	.1	(.1)	-
Net income	$ 2.2	$ 1.1	$ 2.0	$ 2.0	$ 2.1	$ 2.2	$ 1.5	$ 2.3
Primary Earnings Per Common Share:								
Income before securities transactions	$ .48	$ .24	$ .51	$ .53	$ .46	$ .47	$ .37	$ .52
Securities gains (losses)--net	-	(.01)	(.05)	(.07)	.01	.02	(.03)	-
Net income	$ .48	$ .23	$ .46	$ .46	$ .47	$ .49	$ .34	$ .52
Fully Diluted Earnings Per Common Share:								
Income before securities transactions	$ .47	$ .24	$ .49	$ .50	$ .45	$ .46	$ .37	$ .50
Securities gains (losses)--net	-	(.01)	(.04)	(.06)	.01	.01	(.03)	.01
Net income	$ .46	$ .23	$ .45	$ .44	$ .46	$ .47	$ .34	$ .51

This information has been subjected to a limited review by the Corporation's independent auditors in accordance with standards established by the American Institute of Certified Public Accountants. However, a limited review does not constitute an audit and, accordingly, the independent auditors do not express an opinion on this information.

NBD BANCORP, INC.

Summary of Quarterly Financial Information

The following quarterly financial information is unaudited. However, in the opinion of management, all adjustments which include normal recurring adjustments necessary to present fairly the results of operations for such periods are reflected. Previously reported amounts for the first three quarters of 1981 have been restated in the amounts of $.07, $.12 and $.07 per share for the first, second and third quarters, respectively to reflect the retroactive application of the provisions of Statement of Financial Accounting Standards No. 52, Foreign Currency Translation. The actual results and the pro forma effect for the four quarters of 1980, had the provisions of the Statement been applied to those quarters, is shown below. (Amounts in millions, except per share data):

	March 31			June 30		
		Pro forma			Pro forma	
	1981	1980	1980	1981	1980	1980
Net Interest Income	$58.4	$66.1	$66.1	$59.5	$61.5	$61.5
Provision for Loan Losses	5.0	3.4	3.4	5.1	4.8	4.8
Non-Interest Income	18.5	11.7	10.0	17.4	16.6	18.2
Non-Interest Expenses	58.4	54.1	54.1	60.1	54.3	54.3
Income Before Securities Transactions	17.8	20.1	19.2	16.5	19.4	20.2
Net Income	17.7	18.3	17.4	13.2	17.4	18.2
Per Share:						
Income Before Securities Transactions	$1.45	$1.64	$1.57	$1.34	$1.59	$1.65
Net Income	1.44	1.50	1.43	1.07	1.43	1.49

	September 30			December 31		
		Pro forma			Pro forma	
	1981	1980	1980	1981	1980	1980
Net Interest Income	$67.2	$56.0	$56.0	$62.5	$63.0	$63.0
Provision for Loan Losses	5.6	4.2	4.2	6.2	5.7	5.7
Non-Interest Income	19.0	15.7	16.6	19.8	17.2	16.3
Non-Interest Expenses	63.8	56.3	56.3	65.7	55.7	55.7
Income Before Securities Transactions	19.1	16.4	17.1	15.7	23.9	23.5
Net Income	18.9	14.6	15.3	15.4	23.9	23.5
Per Share:						
Income Before Securities Transactions	$1.57	$1.35	$1.40	$1.28	$1.95	$1.92
Net Income	1.55	1.19	1.24	1.25	1.95	1.92

EXAMPLE: Interim financial data (report text)

GREATER JERSEY BANCORP

Quarterly Summary (Thousands)

	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
Interest income	$23,593	$25,622	$27,875	$29,146	$19,125	$19,624	$19,511	$21,675
Net interest income	8,880	9,671	9,817	10,538	8,292	8,229	8,186	9,036
Provision for loan losses	450	450	398	588	300	400	476	600
Income before income taxes, securities gains (losses) and extraordinary item	2,678	2,858	2,981	2,862	2,156	2,251	1,936	2,567
Income before securities gains (losses) and extraordinary item	2,136	2,195	2,284	2,596	1,699	1,776	1,708	2,222
Income before extraordinary item	2,136	1,825	2,284	2,259	1,441	1,642	1,709	2,222
Net income	2,136	1,825	2,284	2,259	1,472	1,732	1,773	2,488
Per share								
Income before securities gains (losses) and extraordinary item								
Primary	1.04	1.05	1.09	1.22	.83	.86	.83	1.08
Fully diluted	.94	.97	.99	1.13	.75	.79	.76	.98
Income before extraordinary item								
Primary	1.04	.87	1.09	1.06	.70	.80	.83	1.03
Fully diluted	.94	.81	.99	.98	.64	.73	.76	.98
Net income								
Primary	1.04	.87	1.09	1.06	.72	.84	.86	1.21
Fully diluted	.94	.81	.99	.98	.66	.77	.79	1.09

CITIZENS FIDELITY CORPORATION

Quarterly Results of Operations

The following is a tabulation of the quarterly results of operations for the years ended December 31, 1981 and 1980.

1980 Quarter ended	Mar. 31	June 30	Sept. 30	Dec. 31
	(Thousands of dollars, except for share data)			
Total interest income	$43,768	$43,873	$39,386	$48,861
Net interest income	15,687	15,134	14,235	16,970
Provision for loan losses	2,100	1,800	1,400	2,300
Other operating income	4,993	5,043	5,439	5,502
Operating expenses	13,740	13,199	13,017	15,133
Income before income taxes and securities transactions	4,840	5,178	5,257	5,039
Income before securities transactions	4,145	4,476	4,580	4,721
Per Share	$.56	$.60	$.61	$.63
Net income	4,046	4,380	4,563	4,689
Per share	$.54	$.59	$.61	$.63

1981 Quarter ended				
Total interest income	$56,354	$57,932	$62,708	$61,041
Net interest income	17,866	17,133	18,524	17,242
Provision for loan losses	2,500	2,100	2,650	1,750
Other operating income	5,799	6,242	6,385	7,075
Operating expenses	15,510	15,039	15,647	16,202
Income before income taxes and securities transactions	5,655	6,236	6,612	6,365
Income before securities transactions	5,177	5,439	5,887	5,973
Per share	$.69	$.73	$.73	$.74
Net income	5,111	5,439	5,883	5,802
Per share	$.68	$.73	$.73	$.72

EXAMPLES Related party transactions (footnotes)

MARYLAND NATIONAL CORPORATION

Related Party Transactions

At December 31, 1981, companies in which two directors had more than a 10% interest were indebted to the Bank for $28,503,000 of which $1,667,000 was on an unsecured basis. In addition, directors, through their immediate families or through companies in which they had more than a 10% interest were indebted to the Bank for a total of $36,141,000 at December 31, 1981, of which $5,493,000 was on an unsecured basis. The bank had committments to fund $13,707,000 in additional loans to companies in which two directors had more than a 10% interest.

The interest rates on all of this indebtedness were substantially the same as rates prevailing at the time of the transaction and repayment terms as are customary for the type of loan involved.

LASALLE NATIONAL BANK

Transactions with Related Parties

Directors and officers of the Bank, their associates, ABN, and various subsidiaries of ABN were customers of, or had other transactions with, the Bank in the ordinary course of business during 1981 and 1980.

All loans and commitments included in such transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility or present other unfavorable features.

In 1981, the Bank sold approximately $27,000,000 of tax-exempt loans and securities to its parent, ABN, at its carrying amount which management believes to approximate fair market value.

FIRST ATLANTA CORPORATION

Certain Transactions

Management believes that all of the following transactions were originally entered into in the normal course of business:

First Atlanta has loans outstanding to an individual, who is a director and a principal shareholder of First Atlanta, and to his affiliated corporations. Such loans amount to $1,880,000, $2,395,000 and $5,960,000 at December 31, 1981, 1980 and 1979, respectively, and are due through 1983 at interest rates ranging from 5% to 16.25% per annum.

First Atlanta has loans outstanding to certain other directors, their families and certain companies in which these directors have a 10% or more ownership. At December 31, 1981, 1980 and 1979, these loans aggregate $4,334,000, $14,758,000 and $8,978,000, respectively, and are due through 2011 at interest rates ranging from 5.5% to 22.5% per annum.

In October 1980, First Atlanta acquired Cobb County Bank ("Cobb Bank") for $4,152,000 by a merger into the Atlanta Bank. The purchase price was negotiated at estimated fair value by management of First Atlanta and principally by Cobb Bank's major shareholder, who is also a director and principal shareholder of First Atlanta. The transaction was subsequently approved by Cobb Bank's Board of Directors, two-thirds of Cobb Bank's other shareholders and regulatory authorities.

The Parent supports certain credit-granting activities of its subsidiaries through funds obtained from short-term lines of credit, long-term credit arrangements, and sales of commercial paper. A summary of the Parent's loans to its subsidiaries is presented below in thousands of dollars:

December 31	1981	1980	1979	1978
Savannah Bank	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Gulf	100,300	74,900	111,400	93,400
First Atlanta Factors, Inc.	61,278	91,330	89,998	81,504
First Atlanta Mortgage Corporation	3,972	-	-	-
	$166,550	$167,230	$202,398	$175,904

CITIZENS AND SOUTHERN CORPORATION

Related Party Transactions

One of the sources of business for the bank subsidiary is its relation with its directors, their immediate families and affiliated companies. The activity with these related parties at December 31, 1981 and 1980, follows:

Certain parties (principally directors of the Corporation, including their affiliates, families, and companies in which they are principal owners) who are considered to be related parties by Statement on Auditing Standards No. 6 issued by the American Institute of CPAs, were loan customers of, and had other transactions with the Corporation in the ordinary course of business. Total loans and standby letters of credit outstanding to these parties at December 31, 1981 and 1980, were $17,517,000 and $10,782,000, respectively.

At December 31, 1981 and 1980, two directors (including their affiliates, family members, and companies in which they are principal owners) of the Corporation, which are included above, had loans and standby letters of credit outstanding in excess of 5% of consolidated stockholders' equity. At December 31, 1981 and 1980, the total loans and standby letters of credit outstanding for these directors were $10,047,000 and $8,892,000 respectively. The foregoing descriptions in this paragraph and the preceding paragraph exclude loans made in the ordinary course of business to other companies with which the Corporation has no relationship other than its directors being associated in the capacity of officer or director.

COLORADO NATIONAL BANKSHARES, INC.

Related Party Transactions

Certain directors and officers of the Company were customers of and had transactions with various subsidiary banks in the ordinary course of business. All loans and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility. At December 31, 1981 there were $19,115,123 ($9,265,629 in 1980) in loans to certain of the directors and executive officers of the Company and to corporations and others associated with such persons. These loans represent approximately 2% of the total loans outstanding at December 31, 1981 and approximately 1% at December 31, 1980.

The Company leases office space from the joint venture described in another Note _. The leases expire in 1983, 1984 and 1995 and as of December 31, 1981 require annual rentals of $1,463,485, subject to escalation. The joint venture is obligated to pay land rentals to subsidiaries of the Company under a 99 year lease. Such rentals, presently $119,000 per year, will be adjusted every 25 years based upon appraised value of the property.

UNITED AMERICAN BANK IN KNOXVILLE

Related Party Transactions

Certain directors and officers of the Bank, including companies in which they are officers or have significant ownership, were customers of and had other transactions with the Bank in the ordinary course of business during 1981 and 1980. Total loans to these persons at December 31, 1981 and 1980, amounted to approximately $36,225,000 and $33,750,500, respectively. Also at December 31, 1981, standby letters of credit by the Bank to directors and officers of the Bank amounted to $2,366,711.

Other transactions with these parties are summarized as follows:

	1981	1980	1979
Legal services provided	$233,402	$235,310	$209,000
Architectural services	136,466	49,683	117,840
Acquisition and maintenance of fixed assets	87,536	33,600	129,770

The Bank also has transactions with relatives of certain directors and shareholders. Total loans for these persons at December 31, 1981 and 1980, amounted to $19,038,000 and $6,872,000, respectively.

Included in the Bank's leased premises are certain properties, with annual rentals of approximately $1,460,175, owned by related parties. Additionally, the Bank paid to relatives of certain officers and directors approximately $72,841 in 1981; $220,800 in 1980 in 1980 and $255,600 in 1979 for the acquisition of fixed assets and had $1,506,300 in standby letters of credit at December 31, 1981.

Certain principal shareholders of the Bank also have financial interests in several other banks. The Bank has customary correspondent relationships and other transactions with certain of these banks including correspondent accounts, loan participations and investment and federal funds transactions. Also, the Bank paid fees to an affiliated corporation covering data processing services amounting to $1,754,374 for 1981; $1,874,900 for 1980 and $1,682,500 for 1979.

(continued)

In 1981, the Bank entered into an agreement to sell common stock of another commercial bank (acquired through repossession) to a stockholder. Under the terms of the agreement, the stockholder contractually agreed to reimburse the Bank for certain costs to carry the stock. Carrying costs in the amount of $1,068,000 were reimbursed to the Bank in 1981 and included in income. The Bank has also entered into agreements to sell the common stock of another commercial bank and certain other real estate (both acquired through repossession) to the same stockholder at book value of $4,696,011.

On December 31, 1981, the Bank sold sixty percent of its ownership in the United American Financial Corporation at a gain of approximately $1,028,000. Additionally, certain bank premises were sold at a gain of $445,000. These sales were to banks and other corporations in which certain principal shareholders of the Bank also have financial interests.

FIRST INTERSTATE BANK OF OREGON, N.A.

Related Party Transactions

During 1981, 1980 and 1979 electronic data processing services were provided by First Interstate Services Corporation (FISC), a wholly-owned subsidiary of First Interstate Bancorp. Fees paid to First Interstate Bancorp were $16,087,000 in 1981, $12,517,000 in 1980 and $9,756,000 in 1979, and are included in data processing expense in the consolidated statement of income. Premises and equipment rentals and administrative services charged to FISC amounted to $1,775,000 in 1981, $1,421,000 in 1980 and $1,414,000 in 1979, and are offset against the related expense accounts as they represent a recovery of costs. In the normal course of business the bank makes loans to its executive officers, directors and companies affiliated with directors. In the opinion of management such loans are consistent with sound banking practices, are on substantially the same terms as comparable loans to others, and are within applicable regulatory bank lending limitations.

SCHRODERS INCORPORATED

Long-Term Loan Payable

In 1977, Schroders Incorporated entered into a loan agreement with one of its minority stockholders to borrow $20,000,000. The loan bears interest at the rate of 8% payable in semiannual installments. In addition, the agreement provides for an increase in the interest rate equal to one-half of the excess over 8%, if any, of the Company's consolidated rate of return on stockholders' equity, as defined, but not to exceed in the aggregate 25% per annum. Principal outstanding in 1992, if any, payable in five equal annual installments commencing in that year.

The loan agreement contains certain covenants including the maintenance of consolidated stockholders' equity at a minimum of $39,000,000 plus 90% of all equity investments, as defined, in Schroders Incorporated made after December 31, 1976, but not to exceed $18,000,000, and limitations on current and funded debt. In addition, commencing January 1, 1977, dividend payments are restricted to an aggregate amount not to exceed 67% of consolidated net income, as defined.

On October 14, 1981, Schroders Limited, through a subsidiary, purchased the loan and 11,407 shares of Schroders Incorporated common stock from the minority stockholder. All terms of the loan agreement remain in force.

HARRIS BANKCORP, INC.

Amounts Receivable from Certain Persons

The following schedule represents total loans to directors, executive officers, principal holders of the Corporation's common stock and certain related persons, as defined in Rule 9.05 of Regulation S-X of the Securities and Exchange Commission (in thousands):

				Deductions		Ending Balance	
Year	Number of Directors	Beginning Balance	Additions	Collected	Charged-Off	Current	Not Current
1980	3	$15,712	$53,050	$39,016	$-	$29,746	$-
1981	2	29,746	106,795	133,987	-	2,554	-

Directors of the Corporation, as defined above, were customers of and had transactions with the Corporation and its subsidiaries, particularly the Bank, in the ordinary course of business during the periods noted above and additional transactions may be expected in the ordinary course of business in the future. All outstanding loans, commitments, financing leases, transactions in money market instruments, and deposit relationships included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others, and did not involve more than a normal risk of collectibility or present other unfavorable features.

At December 31, 1979, three directors of the Corporation had loans outstanding aggregating $15,712,000. Information is not available for periods prior to December 31, 1979.

RIGGS NATIONAL CORPORATION

Transactions with Related Parties

As in prior years, the Corporation expects to make, in the normal course of business, loans to many of its Directors and their associates on the same terms, including interest rates and collateral, as those prevailing for comparable transactions with others. Such loans do not involve more than a normal risk of collectibility, nor do they present other unfavorable features.

The Bank leases office space from a partnership of which Director Oliver T. Carr, Jr. is a general partner and in which he has a substantial interest under leases expiring September 30, 1995 and January 31, 1999, and for which rental payments in 1981 were $105 and $73, respectively. In the opinion of management the leases contain the same terms and conditions as would have prevailed had they been negotiated with an unassociated person. It is estimated that such rental payments for 1982 will approximate $181.

Allbritton Communications, a company indirectly wholly owned by Joe L. Allbritton, Chairman of the Board of Directors of the Corporation, has entered into a lease dated December 5, 1981 for space in an office building owned by the Bank. The lease, unless extended pursuant to its terms, expires in five years. Annual rental payments for each of the next five years will be approximately $144. The Board of Directors of the Bank (with Mr. Allbritton and his business associate, Mr. Wren, not participating) approved the lease and its terms, finding the lease to contain the same terms and conditions as would have prevailed had the lease been negotiated with an unassociated person.

The following table reflects outstanding balances of loans to Directors* and their associates as of December 31, 1981 and 1980. Of these amounts, Director Robert H. Smith had loans outstanding totaling $32,009 as of December 31, 1981. In addition to the amounts shown in the table below, enterprises in which Director Smith is an investor (owning not more than 10%) had outstanding indebtedness to the Corporation of $19,540 as of December 31, 1981. There were no material loans outstanding to executive officers of the Corporation.

	December 31	
	1981	1980
Loans to Directors	$ 1,798	$ 3,326
Loans guaranteed by Directors	66,797	33,856
Loans to companies in which Directors were principal stockholders or directors	4,276	24,341
Total Loans to Directors and Associates	$ 72,871	$ 61,523
Total loans, Net	$1,714,124	$1,538,612
Percentage of total loans	4.3%	4.0%

In the opinion of management, the above transactions were consumated on substantially the same terms and conditions as those prevailing at the same time for comparable transactions with others.

*Includes Directors of both Riggs National Corporation and The Riggs National Bank.

EXAMPLES Foreign currency translation--adoption of FASB Statement No. 52 (summary of accounting policies)

MARINE MIDLAND BANKS, INC.

Foreign Currency Translation

Foreign currency translations are accounted for in accordance with the requirements of Statement of Financial Accounting Standards No. 52, Foreign Currency Translation, adopted effective January 1, 1981. Foreign currency translation adjustments are reflected in current operations except for certain translation adjustments which are accumulated as a component of retained earnings where the functional currency is a foreign currency. See Note __, Retained Earnings.

Foreign exchange trading positions are valued monthly. This valuation includes pricing all spot and forward positions generally to market rates at the time of valuation. Income or loss from foreign exchange trading, including that resulting from such monthly valuations, is shown separately in the consolidated statement of income.

FIRST CHICAGO CORPORATION

Foreign Currency Translation

In 1981, the Corporation adopted the newly issued accounting standard Statement of Financial Accounting Standards No. 52--Foreign Currency Translation. The new standard requires that the currency in which a foreign installation operates ("functional currency") be determined. If the functional currency is the U.S. dollar, translation effects are included in income. If the functional currency is the local currency, translation effects are reflected in a separate capital account. Related hedging results and income tax effects are also included in this capital account. The amortization of discount or premium related to foreign exchange forward contracts used as hedges remains in other income.

EXAMPLES Foreign currency translation--adoption of FASB Statement No. 52 (footnotes)

PITTSBURGH NATIONAL CORPORATION

Foreign Currency Translation

The corporation has elected early adoption of the Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation" to translate the financial statements of its foreign entity into U.S. dollars for the year ended December 31, 1981.

All assets and liabilities have been translated at the year-end exchange rate. Income and expense items have been translated monthly at the prevailing month-

(continued)

end rates. Under SFAS No. 52, adjustments resulting from these translations for 1981 have been made directly to retained earnings while, for 1980 and prior years, all such translation adjustments were taken directly into income. Exchange gains and losses on foreign currency transactions continue to be included in net income.

The pre-tax aggregate adjustment was $991,000 for 1981. After adjusting for federal income tax, the net charge to retained earnings was $535,000. The effect of charging the translation adjustment directly to retained earnings in accordance with SFAS No. 52 increased 1981 net income by $535,000 or $.04 per share. The effect of such changes between quarters was not material.

INDIANA NATIONAL CORPORATION

Foreign Currency Translation

During the fourth quarter of 1981, the Corporation adopted Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation", for a bank subsidiary's investment in London Interstate Bank Limited. The first three quarters of 1981 have been restated for adoption of this statement. The effect of this change was to increase previously reported amounts as follows: (in thousands, except per share)

Quarter	Net Income	Earnings Per Share
First	$147	$.03
Second	217	.04
Third	102	.02

Changes as a result of the foreign currency translation adjustment are summarized below: (in thousands)

	Gross Adjustment	Applicable Income Taxes	Net Adjustment
Cumulative translation adjustment at January 1, 1981	$ 417	$(193)	$ 224
1981 translation adjustment	(660)	304	(356)
Foreign currency translation adjustment at December 31, 1981	$(243)	$ 111	$(132)

CHEMICAL NEW YORK CORPORATION

Change in Accounting for Foreign Currency Translation

Financial statements for 1981 and prior years reflect the Corporation's early adoption of the new accounting standard on foreign currency translation. Adjustments from translating certain foreign net investments into United States dollars and gains and losses, net of taxes, on related hedges are now recorded directly into stockholders' equity, without affecting the income statement. (See Note _ for the tax effect of hedges related to foreign net investments.) Translation losses associated with investments in countries with highly inflationary economies continue to be included in income. The losses amounted to $3,953,000, $1,721,000 and $3,073,000 in 1981, 1980 and 1979, respectively.

The change in accounting had the following effect on earnings (income before securities gains (losses) and extraordinary gain) and net income:

(in thousands except per share data)	1981	1980	1979
Increase (decrease)			
Earnings and net income	$2,505	$878	$(5,388)
Per common share:			
Primary	.16	.06	(.36)
Fully diluted	.14	.05	(.30)

The cumulative effect at January 1, 1979 of prior years' translations, hedgings and taxes, amounting to a credit of $7,531,000, was transferred from retained earnings to the accumulated translation adjustment account within stockholders' equity.

NBD BANCORP, INC.

Foreign Currency Exchange and Translation (summary of accounting policies)

The Corporation has elected to adopt in 1981 the accounting and reporting provisions of Statement of Financial Accounting Standards No. 52, Foreign Currency Translation, issued by the Financial Accounting Standards Board in December 1981. Statement No. 52 revises accounting standards to distinguish between (1) adjustments arising principally from translation into U.S. dollar financial statements of foreign entities and (2) translation gains or losses arising from transactions conducted in foreign currencies. Prior accounting standards (Statement No. 8) required that both types of translation be included in the determination of current period income. The revised standards provide for recording adjustments attributable to translation of foreign entity financial statements in a separate component of shareholders' equity.

Previously reported 1981 quarterly financial information has been restated to reflect net income that would have been reported had the accounting change been adopted as of January 1, 1981 and the amount of translation adjustments that would have been reported as a component of shareholders' equity on January 1, 1981. The note below more fully describes the restatement and the corresponding translation included in reported income for the years 1980 and 1979.

Foreign exchange positions on forward contracts are valued monthly at market rates and the unrealized gain or loss is included in "Non-interest Income--Other".

Foreign Currency Exchange and Translation (separate footnote)

The change in accounting method referred to above was retroactively adopted as of January 1, 1981. The effect of applying the new method to the current year was to increase 1981 net income by $2,967,000 as compared to net income determined under the previous method. The effect that application of the new method would have had on reported 1980 and 1979 earnings is as follows:

	1980		1979	
	Amount (in thousands)	Per Share (primary)	Amount (in thousands)	Per Share (primary)
Net income as originally reported	$74,372	$6.08	$75,604	$6.24
Adjustment	(177)	(.01)	(847)	(.07)
Adjusted Net Income	$74,195	$6.07	$74,757	$6.17

As noted in the Consolidated Statement of Shareholders' Equity, implementation of the revised accounting method necessitates a transfer as of January 1, 1981 from Retained Earnings and deferred tax liability to a separate component of shareholders' equity. Such transfer reflects the cumulative effect of applying the revised method to years prior to 1981 and is attributable principally to translation of foreign entity financial statements. The total adjustment as of January 1, 1981 of $3,353,000 consists of a transfer of $3,155,000 from Retained Earnings for net translation gains previously recognized as earnings and $198,000 from deferred tax liability.

An analysis of the changes during 1981 in the separate component of shareholders' equity for Accumulated Translation Adjustment follows:

	1981 (in thousands)
Balance, beginning of year as restated for cumulative effect of adopting Statement No. 52, net of accumulated deferred tax charges of $2,532,000	$ 3,353
Aggregate translation loss for the year, net of income tax benefit of $819,000	(3,401)
Translation amounts realized and included in income	(346)
Balance, at end of year net of accumulated deferred tax charges of $1,713,000	$ (394)

Aggregate gains (losses), net of the tax effect, included in net income were as follows:

Gains (losses) arising principally from translation of:

	1981	1980	1979
		(in thousands)	
Financial statements of foreign entities	$ 249	$177	$847
Transactions conducted in foreign currencies	(286)	60	(69)
	$ (37)	$237	$778

The retroactive application of Statement of Financial Accounting Standards No. 52 requires restatement of previously reported 1981 quarterly information. Note __ sets forth the restated 1981 amounts, the previously reported 1980 quarterly amounts, and pro forma 1980 quarterly amounts reflecting the effect of the new method.

Foreign exchange income, which includes the results of revaluations of foreign exchange positions, amounted to $2,898,000 in 1981, $2,777,000 in 1980 and $2,499,000 in 1979.

WELLS FARGO & COMPANY

Foreign Currency Translation (summary of accounting policies)

The Company has adopted FASB Statement No. 52 which employs the net investment concept for foreign operations. Under this concept, a functional currency is designated for each foreign entity based on the currency of the primary economic environment in which the entity operates. The assets, liabilities and operations of an entity denominated in other than its functional currency are initially remeasured into its functional currency with gain or loss recognized in current period income. For consolidation purposes, the financial statements are then translated into U.S. dollars using the current rate method. Translation adjustments are disclosed as a separate component of equity. Such adjustments are reversed upon sale or upon completion or substantially complete liquidation of the investment.

Foreign currency intercompany transactions which are of a long-term investment nature and forward exchange contracts which hedge equity investments are measured monthly at current market rates. The gain or loss from such measurement is included in the translation adjustment in the separate component of equity.

Gains or losses from other foreign currency transactions, including gains or losses from foreign exchange trading activities, are recognized in the current period under other income. Premiums or discounts on forward exchange contracts which are associated with the funding of assets from liabilities of a different currency (swap transactions) are deferred and amortized into interest income or expense over the life of the contract.

(continued)

Foreign Currency Translation (separate footnote)

In 1981, the Financial Accounting Standards Board (FASB) superseded Statement No. 8 with Statement No. 52 regarding foreign currency translation. As a result, the Company changed its foreign currency translation policy, effective January 1, 1981. The current policy is disclosed in Footnote _. The company has not restated its financial statements for 1980 or 1979.

The effect of this change is to increase income before income taxes and securities transactions and net income by $3,351,000 and $2,469,000, respectively for the year ended December 31, 1981. Net income per share amount was increased by $.11 for the year ended December 31, 1981. This change was made in the fourth quarter of 1981 and a restatement of the prior three quarters of 1981 will not be done. Therefore, the total adjustment for 1981 flowed through the fourth quarter's earnings.

EXAMPLES Foreign activities (report text)

FIRST INTERSTATE BANCORP

International Operations

The international activity of the corporation at the end of 1981 encompassed assets of $5.8 billion, 15.8% of the corporation's total. Including income from hedge operations and matched funded positions, it is estimated the contribution to earnings before income taxes from international operations was $39 million, a decrease of $12 million from $51 million for 1980 and an increase from $16.0 million in 1979. At year-end 1981, international interest bearing liabilities totaled $3.2 billion, of which $2.7 billion were time deposits in foreign offices. All such deposits are scheduled to mature within one year. Net loan chargeoffs related to international activity were $5.1 million in 1981. This compares with $3.0 million in 1980 and $6.7 million in 1979. As a percent of average international loans for those years, the ratio in 1981 was 0.31%, 0.23% in 1980 and 0.56% in 1979.

International Earning Assets by Country Income Characteristics*	December 31, 1 (millions) Loans	Time Deposits with Banks	Total
Major industrial countries	$ 731	$1,934	$2,665
Developing countries (per capita income $700-$2,999)	997	271	1,268
Less developed countries (per capita income under $700)	255	20	275
Oil exporting countries	183	5	188
TOTAL	$2,166	$2,230	$4,396

*Country classification per International Bank for Reconstruction and Development.

International Earning Assets by Geographic Region

Europe, Middle East Africa	$ 476	$1,449	$1,925
Latin America	849	270	1,119
Asia-Pacific	623	236	859
United States, Canada	218	275	493
TOTAL	$2,166	$2,230	$4,396

U.S. TRUST CORPORATION

Foreign Operations

The foreign operations of the Trust Company are concentrated primarily in the Cayman Islands Branch and an International Banking Facility in New York. Activity is concentrated in Eurodollars which serve as a funding source for redeposits with other banking institutions and for foreign and domestic loans with yields usually based on the London Interbank Rate.

Offshore trust operations are conducted through two wholly owned subsidiaries: U.S. Trust, Grand Cayman and U.S. Trust, Nassau.

International Operations

The Corporation considers its foreign activities to represent business transactions in which the customer is domiciled outside the United States. Since many different activities of the business of the Corporation are related to its foreign operations, a definitive division of its domestic and foreign components cannot be meaningfully determined. However, for this purpose the Corporation has allocated expenses primary relating to funding, the provision for possible loan losses and overhead expenses. In allocating interest expense, the Corporation charges users of the funds and credits suppliers of funds through the use of a "pooled" concept. The rates used in such allocations are the averge borrowing rates for all sources of funds attributable to foreign activity. Other principal bases used for expense allocation are (1) the allocation of administrative overhead and other expenses incurred by one area on behalf of another, (2) the allocation of the Corporation's provisions for loan losses, based upon the factors described in Note __ to the Financial Statements and (3) adjustments for the difference between local and United States tax rates. A geographic distribution of total identifiable assets, total operating income, total operating expenses, income before taxes and securities gains (losses) and net income related to foreign activities for the years ended December 31, 1981 and 1980 follows:

(In Thousands)	Total Identifiable Assets December 31 1981	Total Identifiable Assets December 31 1980
Europe	$ 242,170	$ 146,469
Caribbean, North and South America	170,776	152,093
Other	26,121	15,033
Total	439,067	313,595
Domestic	1,760,213	1,760,546
Total Consolidated	$2,199,280	$2,074,141

(In Thousands)	Total Operating Income 1981	Total Operating Income 1980	Total Operating Expenses 1981	Total Operating Expenses 1980
Europe	$ 24,571	$ 18,878	$ 24,142	$ 18,544
Caribbean, North and South America	27,018	28,634	26,362	27,871
Other	3,082	2,358	3,004	2,270
Total	54,671	49,870	53,508	48,685
Domestic	204,835	173,757	189,471	160,921
Total Consolidated	$259,506	$223,627	$242,979	$209,606

(In Thousands)	Income Before Taxes and Securities Gains (Losses) 1981	Income Before Taxes and Securities Gains (Losses) 1980	Net Income 1981	Net Income 1980
Europe	$ 429	$ 334	$ 205	$ 46
Caribbean, North and South America	656	763	329	404
Other	78	88	34	54
Total	1,163	1,185	568	504
Domestic	15,364	12,836	13,549	9,637
Total Consolidated	$16,527	$14,021	$14,117	$10,141

Distribution of International Loans

The accompanying table presents the distribution of loans attributable to the Corporation's international operations at December 31, 1981 and 1980.

(In Millions)	1981	1980
Loans to:		
Banks	$ 2.0	$ 2.0
Government or official institutions	3.5	3.5
Commercial and industrial	12.0	17.4
Other	4.1	4.2
Total	$21.6	$27.1

Balances and Deposits in Banks Located Outside the United States

The accompanying table presents an analysis of deposits placed in foreign banks.

(In Millions)	1981	1980
Interest bearing deposits and balances	$401.3	$266.4
Other balances	.5	.4
Total	$401.8	$266.8

Composition of Selected International Liabilities

The accompanying table presents the distribution of selected liabilities attributable to the Corporation's international operations at December 31, 1981 and 1980.

(In Millions)	1981	1980
Deposits of Banks in foreign countries	$46.2	$120.6
Other demand deposits	1.7	2.0
Other time deposits	.6	2.9
Total	$48.5	$125.5

Summary of Changes in Allowance for Loan Losses Attributable to International Operations

The accompanying table presents a reconciliation of the portion of the Allowance for Loan Losses attributable to the Corporation's international operations for 1981 and 1980.

(In Thousands)	1981	1980
Balance, January 1	$ 362	$ 775
Provision charged to operations	140	235
	502	1,010
Loans charged off, net of recoveries	(500)	648
Balance, December 31	$1,002	$ 362

Total operating income attributable to foreign operations for the year ended December 31, 1979 was approximately $49 million. The contribution of foreign operations to consolidated net income for 1979 was not significant.

CALIFORNIA FIRST BANK

International Operations

The bank provides banking services in various parts of the world through the International Department and through both domestic and overseas offices. The bank considers assets as being associated with international banking operations on the basis of (a) foreign domicile of the customers or correspondent banks or (b) foreign domicile of the assets. Deposits and other liabilities are classified on the same basis.

Foreign Loans

The following table shows the composition of foreign loans:

(In thousands)	December 31 1981	%	1980	%
Banks	$ 13,743	5.1	$ 3,244	1.4
Other financial institutions	83	-	-	-
Government and official institutions	95,988	35.7	58,277	25.6
Consumer	3,320	1.3	4,073	1.8
Commercial	147,929	55.0	156,628	68.8
Real estate	7,790	2.9	5,362	2.3
Other	283	-	157	0.1
Total	$269,136	100.0	$227,741	100.0

Foreign loans, classified by annual per capita income level of the guarantor's or borrower's country of residence, are shown in the following table. Classification of countries by per capita income levels is derived from current World Bank categories.

(In thousands)	December 31 1981	%	1980	%
Major industrialized countries ($2,000 or more)	$176,339	65.5	$157,103	69.0
Other developed countries ($500-$2,000)	35,968	13.4	48,911	21.5
Oil exporting countries	56,829	21.1	19,393	8.5
Less developed countries:				
Higher income ($200-$500)	-	-	2,334	1.0
Lower income (less than $200)	-	-	-	-
Total	$269,136	100.0	$227,741	100.0

The oil exporting countries category in the preceding table includes non-OPEC and OPEC member nations.

Foreign Assets and Liabilities

As of December 31, 1981 and 1980 the ratios of international assets to consolidated assets were 9.4% and 6.1%, respectively. The ratios of international liabilities to consolidated liabilities at these same dates were 13.1% and 8.3%, respectively. The following table reflects the balances on deposit with banks in foreign countries:

(In thousands)	December 31 1981	1980
Foreign branches of U.S. banks	$ 11	$ 1,284
Other banks in foreign countries	70,582	59,365
Total	$70,593	$60,649

If the 1981 and 1980 totals, $69,500,000 and $58,500,000, respectively, are interest-bearing deposits.

Deposits from Foreign Countries

The following table reflects the sources of foreign deposits and their percentage of total deposits from foreign sources:

(In thousands)	December 31 1981	%	1980	%
Deposits from foreign sources:				
Banks located in foreign countries (including foreign branches of U.S. banks)	$ 85,929	30.9	$ 62,123	38.2
Foreign governments or official institutions	12,598	4.5	4,193	2.5
Other	179,388	64.6	96,514	59.3
Total deposits from Foreign sources	$277,915	100.0	$162,830	100.0

At December 31, 1981 and 1980, $233,047,000 and $116,726,000, respectively, of the total deposits from foreign sources were interest-bearing deposits of $100,000 or more.

Allowance for Loan Losses

The FDIC has issued a rule requiring a reconciliation of changes in the allowance of possible loan losses applicable to loans related to foreign activities to be disclosed in the financial statements. The bank does not segregate the allowance for loan losses and no portion is in any way allocated or restricted to any individual loan or groups of loans. For purposes of meeting this rule and meeting the requirement under generally accepted accounting principles to calculate earnings and assets attributable to foreign operations, $1,700,000 at December 31, 1981, $1,500,000 at December 31, 1980 and $1,500,000 at December 31, 1979 of such allowance was allocated to foreign operations. Such allocation is not, in the judgment of management, meaningful since the entire amount of the allowance is available to absorb both domestic and overseas loan losses.

Revenue from International Operations

For the years ended December 31, 1981, 1980 and 1979 total operating revenue from international operations amounted to $52,016,000, $39,750,000 and $36,683,000 or 10.7%, 10.4% and 11.8% of the bank's total operating revenues, respectively.

Revenue from Overseas Offices

The bank's three overseas offices are integrated with domestic banking activities and accordingly a separation of revenue and income before taxes necessarily required discretionary allocations and allowances. The principal allocations are charges for funds employed that are not locally generated calculated on a marginal cost of funds concept and allocation of expenses incurred by one area on behalf of another. The approximate amounts and percentages of operating revenues and income before taxes for the years ended December 31, 1981, 1980 and 1979 for the overseas offices were as follows:

	1981		1980		1979	
(In thousands)	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Interest and fees on loans	$22,010	5.7%	$29,144	9.9%	$29,099	12.3%
Interest on depository balances	7,909	69.5	7,905	79.6	5,777	71.3
Interest on bonds, notes and debentures	83	0.2	70	0.2	79	0.2
Other operating revenue	409	1.2	503	1.8	345	1.3
Total operating revenue	$30,411	6.2%	$37,622	9.9%	$35,300	11.4%
Income before taxes and securities transactions	$ 3,152	21.9%	$ 2,773	1[illegible].1%	$ 2,315	7.6%

MANUFACTURERS NATIONAL CORPORATION

Summary of International Assets and Liabilities

	December 31		Average Balances	
	1981	1980	1981	1980
International Assets				
Cash and due from banks	$ 3,778,000	$ 4,792,000	$ 4,789,000	$ 3,955,000
Interest bearing deposits with banks*	344,699,000	286,320,000	424,175,000	236,067,000
Investment securities	5,699,000	4,924,000	7,267,000	6,360,000
Loans to governments and official institutions	167,452,000	79,697,000	113,423,000	66,469,000
Loans to banks and other financial institutions	133,611,000	121,368,000	105,538,000	148,912,000
Other Commercial loans	82,523,000	60,241,000	75,008,000	23,094,000
Total loans	383,586,000	261,306,000	293,969,000	238,475,000
Less allowance for loan losses	(3,948,000)	(3,598,000)	(3,773,000)	(3,423,000)
Net loans	379,638,000	257,708,000	290,196,000	235,052,000
Customers' liability on acceptances outstanding	66,733,000	126,958,000	146,014,000	52,041,000
Accrued income and other assets	23,503,000	20,023,000	32,397,000	20,244,000
Total international assets	$824,050,000	$700,725,000	$904,838,000	$553,719,000

(continued)

	December 31		Average Balances	
	1981	1980	1981	1980
International Liabilities				
Demand deposits of banks	$ 6,009,000	$ 7,323,000	$ 8,291,000	$ 8,883,000
Other demand deposits	1,527,000	4,169,000	3,140,000	3,538,000
Time deposits of banks*	142,745,000	65,409,000	133,546,000	103,538,000
Other time deposits	74,339,000	8,940,000	65,198,000	19,172,000
Total Deposits	224,620,000	85,841,000	210,175,000	135,131,000
Acceptances outstanding	66,733,000	126,958,000	146,014,000	52,041,000
Other liabilities	209,000	146,000	2,065,000	72,000
Total international liabilities	$291,562,000	$212,945,000	$358,254,000	$187,244,000

*Includes foreign branches of other United States banks.

Summary of International Income

	Year Ended December 31			
	1981	1980	1981	1980
Revenue, Principally interest	$130,431,000	$70,047,000	$42,440,000	$30,294,000
Expenses, including allocated cost of funds	106,477,000	53,952,000	32,197,000	22,819,000
Income before income taxes	23,954,000	16,095,000	10,243,000	7,475,000
Net income from international activities	12,961,000	9,086,000	5,531,000	4,171,000

Manufacturers National Bank of Detroit's international operations are conducted through its International Banking Department, its Nassau branch, a representative office and a 41-2/3% equity interest in Atlantic International Bank Limited (both in London, England), Manufacturers-Detroit International Corporation (an Edge Act subsidiary of the Bank), and a 40% equity interest in Atlantic Capital Limited in Hong Kong.

The other subsidiary banks of the Corporation conduct limited international operations, principally interest bearing deposits with banks placed through the International Banking Department.

International assets, liabilities, revenues and expenses are defined here as those related to transactions with debtors and customers domiciled outside the United States and with foreign branches of United States banks. Activities with domestic customers are excluded.

Certain assumptions and estimates are made in allocating income and expenses of the banks to international operations. These include an allocation of funds obtained from domestic operations based on the average cost of funds, an apportionment of the provision for loan losses, and an allocation of overhead and other expenses.

International Loans and Customers' Liability on Acceptances Outstanding

	December 31, 1981			
Dollar amounts in millions	Loans	Customers' Liability on Acceptances Outstanding	Total	Percent of Total
By World Bank income classification:				
To developed countries	$136.4	$37.9	$174.3	38.7%
To developing countries:				
Oil exporting	130.5	11.2	141.7	31.5
Higher income	6.1	-	6.1	1.3
Middle income	106.8	17.5	124.3	27.6
Lower income	3.8	.1	3.9	.9
Total international	$383.6	$66.7	$450.3	100.0%

BANCAL TRI-STATE CORPORATION

Foreign Operations

For purposes of compiling the financial information below, foreign operations include all loans and other revenue producing assets and transactions in which the debtor or customer is domiciled outside the United States. Due to the integrated nature of the Company's foreign and domestic operations, it is not practicable to make a precise segregation of assets, revenues, and expenses into their foreign and domestic components. Accordingly, certain estimates and assumptions have been used in the compilation of the data presented here. The cost of deposits and borrowed funds is allocated at actual market rates. Expenses incurred on behalf of foreign operations are charged as actually incurred, or have been allocated, and an apportionment of the provision for loan losses has been made. There has been no allocation of capital to foreign operations. The results of foreign operations by major geographic area were as follows:

	Year ended December 31, 1981			
(Dollars in millions)	Europe and Middle East	Western Hemisphere	Asia and Africa	Total
Interest revenue	$25.2	$37.8	$51.1	$114.1
Interest expense	(22.9)	(33.8)	(42.2)	(98.9)
Net interest revenue	2.3	4.0	8.9	15.2
Provision for loan losses	(.5)			(.5)
Net earning asset contribution	1.8	4.0	8.9	14.7
Non-interest revenue	1.7	1.9	7.5	11.1
Non-interest expense	(2.1)	(1.7)	(9.6)	(13.4)
Income before taxes	$ 1.4	$ 4.2	$ 6.8	$ 12.4
Net income	$ .7	$ 2.1	$ 3.3	$ 6.1

	Year ended December 31, 1980			
(Dollars in millions)	Europe and Middle East	Western Hemisphere	Asia and Africa	Total
Interest revenue	$20.6	$27.0	$33.0	$ 80.6
Interest expense	(17.8)	(23.1)	(25.8)	(66.7)
Net interest revenue	2.8	3.9	7.2	13.9
Provision for loan losses	(.1)	(.1)	(.2)	(.4)
Net earning asset contribution	2.7	3.8	7.0	13.5
Non-interest revenue	.7	.9	6.7	8.3
Non-interest expense	(3.0)	(2.4)	(8.3)	(13.7)
Income before taxes	$ .4	$ 2.3	$ 5.4	$ 8.1
Net income	$ .2	$ 1.1	$ 2.7	$ 4.0

	Year ended December 31, 1979			
(Dollars in millions)	Europe and Middle East	Western Hemisphere	Asia and Africa	Total
Interest revenue	$13.5	$22.1	$23.6	$ 59.2
Interest expense	(11.4)	(18.0)	(16.6)	(46.0)
Net interest revenue	2.1	4.1	7.0	13.2
Provision for loan losses		(1.9)		(1.9)
Net earning asset contribution	2.1	2.2	7.0	11.3
Non-interest revenue	.7	.5	4.3	5.5
Non-interest expense	(2.2)	(1.4)	(7.0)	(10.6)
Income before taxes	$ .6	$ 1.3	$ 4.3	$ 6.2
Net income	$ .3	$ .6	$ 2.1	$ 3.0

(continued)

The activity in the reserve for loan losses attributable to foreign operations was as follows:

(Dollars in thousands)	Year ended December 31 1981	1980	1979
Balance at beginning of year	$ 832	$ 2,139	$ 772
Provision for loan losses	500	388	1,895
Loans charged-off	(106)	(1,949)	(745)
Recoveries of previously charged-off loans	311	254	217
Balance at end of year	$1,537	$ 832	$2,139

Assets and liabilities related to foreign operations were as follows:

(Dollars in thousands)	December 31 1981	1980
Assets		
Deposits in banks outside the United States		
Interest-bearing	$ 352,578	$405,314
Non-interest bearing	49,840	26,584
Total deposits in banks	402,418	431,898
Loans		
Governments and official institutions	91,014	56,623
Banks and other financial institutions	268,546	227,055
Commercial and industrial	131,030	63,077
Total loans	490,590	346,755
Less: Reserve for loan losses	(1,537)	(832)
Net loans	489,053	345,923
Customers' acceptance liability and other assets	173,946	158,507
Total assets	$1,065,417	$936,328
Liabilities		
Deposits		
Foreign banks	$ 385,725	$529,773
Foreign governments or official institutions	27,871	55,976
Other foreign demand and time deposits	232,889	64,802
Total deposits	646,485	650,551
Acceptances outstanding and other liabilities	176,392	180,893
Total foreign liabilities	822,877	831,444
Funds obtained from domestic sources	242,540	104,884
Total liabilities	$1,065,417	$936,328

Substantially all deposit liabilities in foreign branches are in amounts in excess of $100,000. Assets employed in foreign operations by major geographic area were as follows:

(Dollars in thousands)	December 31 1981	1980
Europe and Middle East	$ 161,327	$178,254
Western Hemisphere	414,495	318,885
Asia and Africa	489,595	439,189
Total assets	$1,065,417	$936,328

The net gain on the translation of assets and liabilities denominated in foreign currencies and on forward foreign exchange contracts is included in international business fees and was $685,000 in 1981, $627,000 in 1980, and $32,000 in 1979.

CITICORP

Geographic Distribution of Revenue, Earnings and Assets

Citicorp attributes its net interest and other operating revenue, income before taxes and securities transactions, income before securities transactions and average total assets to operations based on the domicile of the customer. U.S. possessions are included in their respective geographic areas.

Because of the integration of global activities, it is not practicable to make a precise separation, and various assumptions must be made in arriving at allocations and adjustments to be used in presenting this data.

The principal allocations and adjustments are: (1) charges for all funds employed that are not generated locally, calculated on the amount and nature of the assets and based on a marginal cost of funds concept; Citicorp common stockholders' equity is treated as generated and earning domestically; (2) allocation of expenses incurred by one area on behalf of another, including administrative costs, based on methods intended to reflect services provided; (3) adjustments for the difference between local and U.S. tax rates; and (4) allocation of the difference between actual net loan losses and loan loss expense.

The Securities and Exchange Commission requires that an allowance for loan losses applicable to loans related to foreign activities be disclosed in a note to the financial statements. Citicorp makes no such allocation, and no portion of the allowance for possible losses on commercial loans or allowance for consumer credit losses is in any way allocated or restricted to any individual loans or groups of loans. For the purpose of meeting the requirement under generally accepted accounting principals to calculate earnings and assets attributable to foreign operations, $194 million at December 31, 1981, $163 million at December 31, 1980 and $151 million at December 31, 1979 of such allowances is allocated to foreign operations. In the judgement of management, such allocation is not meaningful, since the entire amount of each allowance is available to absorb losses with respect to both domestic and foreign loans.

Geographic Distribution of Revenue, Earnings and Assets

In Millions of Dollars	Total Revenue (1)			Income before Taxes and Securities Transactions			Income before Securities Transactions			Average Total Assets		
	1981	1980	1979	1981	1980	1979	1981	1980	1979	1981	1980	1979
North America (2)	$2,187	$1,894	$1,613	$378(4)	$319(4)	$277(4)	$257	$192	$193	$ 47,883	$ 40,994	$33,704
Caribbean, Central and South America (3)	717	565	510	230	218	252	144	128	150	18,187	16,400	15,640
Europe	540	629	695	(27)	24	140	(3)	26	89	29,012	31,434	27,785
Asia, Australia, Middle East and Africa	652	628	498	274	283	202	157	161	112	20,813	18,266	17,152
Total	$4,096	$3,716	$3,316	$855	$844	$871	$555(5)	$507(5)	$544(5)	$115,895	$107,094	$94,281

(1) Includes Net Interest Revenue and Fees, Commissions and Other Revenue.

(2) Includes amounts attributed to United States operations (in 1981, 1980 and 1979, respectively) as follows: total revenue, $2,184 million, $1,876 million and $1,589 million; income before taxes and securities transactions, $402 million, $322 million and $278 million; income before securities transactions, $268 million, $192 million and $192 million; and average total assets, $45,718 million, $38,145 million and $32,457 million.

(3) Includes amounts attributed to Brazil operations (in 1981, 1980 and 1979, respectively) as follows: total revenue, $313 million, $191 million and $174 million; income before taxes and securities transactions, $186 million, $108 million and $103 million; income before securities transactions $105 million, $58 million and $56 million; and average total assets denominated in cruzeiros and other currencies, $4,950 million, $4,215 million and $4,218 million.

(4) In North America, income before taxes and securities transactions includes approximately $117 million in 1981, $67 million in 1980 and $68 million in 1979 of tax-exempt income, reducing the federal income tax provision attributed to the United States.

(5) Securities transactions of $(24) million in 1981, $(8) million in 1980 and $(3) million in 1979 after tax effects, which are deducted in arriving at net income, are substantially attributable to the United States.

(continued)

Other Overseas Information

Cash and Deposits at Interest in Overseas Offices

In Millions of Dollars at Year End	1981	1980
Cash and due from banks	$ 1,415	$ 1,130
Deposits at interest with banks	11,440	12,566
Total	$12,855	$13,696

Deposit Liabilities in Overseas Offices

In Millions of Dollars at Year End	1981	1980
Banks (1)	$22,934	$25,564
Other demand deposits	6,105	6,304
Other time and savings deposits (1)	23,059	19,790
Total	$52,098	$51,658

(1) Primarily consists of time certificates of deposit and other time deposits in denominations of $100,000 or more.

Borrowings in Overseas Offices

In Millions of Dollars at Year End	1981	1980
Purchased funds and other borrowings	$ 4,140	$ 4,091
Intermediate-term debt	4,289	2,850
Long-term debt	205	216
Total	$ 8,634	$ 7,157

SHAWMUT CORPORATION

Foreign Operations

At December 31, 1981 and 1980, identifiable assets and liabilities used in the Corporation's foreign operations were:

	1981	1980
	(in thousands)	
Loans		
Loans to governments	$ 33,565	$ 20,328
Loans to banks	103,902	134,981
Commercial and industrial	118,610	87,161
Other	15,068	3,441
Total loans	$271,145	$245,911
Cash		
Interest-bearing	$422,287	$259,750
Other	4,328	4,197
Total cash	$426,615	$263,947
Deposit liability	$216,282	$103,414

Foreign operations are diversified such that revenues and identifiable assets related to any single geographic area are not significant. Due to the integrated nature of the Corporation's operations, identification of revenues and operating profit related to foreign operations is dependent upon internal allocations of income and expenses. Rates used to determine charges or credits for funds used or generated by foreign operations are based on actual external costs during the period for selected interest-bearing sources of funds. Indirect expenses are allocated through the use of internal estimates which are based on time spent by executives and staff, certain direct costs and other pertinent factors. An abbreviated statement of income for foreign operations for three years ended December 31, 1981 follows. Such statements of income are included as part of the Corporation's consolidated statement of income.

	1981	1980	1979
	(in millions)		
Interest income	$88.2	$62.3	$33.8
Interest cost	(80.1)	(51.8)	(29.4)
Net interest income	8.1	10.5	4.4
Provision for loan losses	(.9)	(1.9)	(.5)
Net interest income after provision for loan losses	7.2	8.6	3.9
Non-interest income	3.6	3.5	2.5
Other expenses	(4.7)	(4.0)	(3.1)
Income before income taxes	6.1	8.1	3.3
Provision for income taxes	(2.9)	(4.3)	(1.8)
Net income	$ 3.2	$ 3.8	$ 1.5

The reserve for loan losses due to foreign operations for the years ended December 31, 1981, 1980 and 1979 (which is included in the Corporation's reserve for loan losses) is:

	1981	1980	1979
	(in thousands)		
Balance, beginning of year	$2,280	$1,500	$1,000
Provision for loan losses	868	1,920	500
Loans charged off	(429)	(1,140)	-
Balance, end of year	$2,719	$2,280	$1,500

SOCIETY CORPORATION

International Activities
$000's omitted

The Corporation conducts international banking activities at Society National Bank, Cleveland, through its international banking and funds management departments, an Edge Act subsidiary and an off-shore branch in Nassau, Bahamas.

International activities are considered to be those resulting from business transactions with customers domiciled outside the U.S., including foreign branches of other U.S. banks.

The Corporation's assets and liabilities attributable to international activities are summarized below:

	December 31	
	1981	1980
Assets:		
Cash and due from banks	$ 3,711	$ 1,077
Due from banks--interest bearing	590,575	365,000
Investment securities	11,361	4,015
Loans:		
Commercial and industrial	24,340	19,343
Banks and other financial institutions	26,854	4,054
Governments and official institutions	32,284	18,747
	83,478	42,144
Less reserve for possible loan losses	1,085	548
Net loans	82,393	41,596
Other assets	98,747	25,543
	$786,787	$437,231
Liabilities and net assets:		
Foreign deposits	$ 79,871	$ 42,464
Net assets	706,916	394,767
	$786,787	$437,231

Due from banks--interest bearing consists primarily of Eurodollar placements with banks or branches of banks in London, Nassau and Grand Cayman.

The reserve for possible loan losses is a general reserve which is not internally allocated between domestic and international activities. The allocation to international activities shown below has been prepared based on estimates, taking into account historical loss data and management's view concerning the risk characteristics of the international loan portfolio. This allocation is made solely for compliance with regulatory reporting requirements; the reserve for possible loan losses is available in total to absorb all loan losses regardless of where the borrower is domiciled.

Changes in the reserve for possible international loan losses were as follows:

	December 31		
	1981	1980	1979
Balance at beginning of year	$ 548	$ 669	$ 647
Provision for possible loan losses	537	(121)	22
Balance at end of year	$1,085	$ 548	$ 669

Presented below is a condensed statement of income of the Corporation's international activities:

	December 31		
	1981	1980	1979
Interest income	$100,325	$ 41,901	$ 14,250
Interest expense	96,287	38,083	11,441
Net interest income	4,038	3,818	2,809
Provision for possible loan losses	537	(121)	22
Other operating income	1,830	1,216	895
Other operating expense	1,897	1,505	1,298
Income before income taxes	3,434	3,650	2,384
Income taxes	1,827	1,623	1,107
Net income	$ 1,607	$ 2,027	$ 1,277

Income and expenses associated with international activities are either directly related to the activity or are an allocation of resources common to both domestic and international activities.

HARTFORD NATIONAL CORPORATION

International Operations

The Bank conducts its international business and financing activities through its International Division, which includes an offshore branch. Included in the following tables are the activities of the Bank's International Division with customers who are domiciled outside the United States. Activities of companies in the United States with the Bank's offshore branch are not included.

The table below presents foreign assets and liabilities of the Bank at December 31, 1981 and 1980:

	1981	1980
	(000's omitted)	
Assets		
Loans		
Governments and official institutions	$ 61,180	$ 64,081
Banks and other financial institutions	6,253	16,191
Commercial	17,947	34,320
Other	2,508	1,298
	87,888	115,890
Less reserve for possible losses on loans	(600)	(690)
	87,288	115,200
Cash and due from banks	1,241	1,399
Time deposits in other banks	10,583	25,737
Other	4,188	4,875
	$103,300	$147,211
Liabilities		
Time deposits		
Banks	$ 3,946	$ -
Other	9,759	17,620
	$ 13,705	$ 17,620

The following table presents foreign assets by geographic location at December 31, 1981 and 1980:

	1981	1980
	(000's omitted)	
Mexico and Central America	$ 36,471	$ 49,709
South America	33,329	44,088
Canada	6,253	13,040
Western Europe	3,598	8,557
Africa	14,629	17,078
Far East	7,097	10,828
Other	1,923	3,911
	$103,300	$147,211

Because of the integrated nature of the operations of the International Division within the Bank, revenues and expenses cannot be segregated precisely between domestic and international operations. Accordingly certain estimates and assumptions are used to allocate revenues and expenses between international and domestic operations. Some of the more significant assumptions used to allocate expenses are that funds

(continued)

used by the International Division are priced at a rate that approximates the borrowing rate of the Bank and direct operating and overhead expenses are allocated in the ratio that international revenue bears to total revenue.

The following table presents the estimated result of operations of international activities for the years ended December 31, 1981, 1980 and 1979, based on the assumptions described above:

	1981	1980	1979
	(000's omitted)		
Revenue	$18,490	$28,458	$31,039
Expenses	13,569	24,514	26,812
Income before income taxes	4,921	3,944	4,227
Income taxes	2,954	2,561	1,944
Net income	$ 1,967	$ 1,383	$ 2,283

EXAMPLES Method of accounting for foreign exchange gains and losses

FIRST INTERSTATE BANK OF CALIFORNIA

Foreign Exchange

Foreign currency exchange gains, resulting primarily from gains on forward exchange contracts, included in fees, exchanges and other income for 1981, 1980 and 1979 amounted to $1.9 million, $3.4 million and $2.8 million, respectively.

CHASE MANHATTAN CORPORATION

Foreign Exchange Trading Income

The Corporation follows the general practice of valuing monthly its foreign exchange trading positions, including spot and forward exchange contracts, at estimated current market rates and reporting the resultant profits or losses in Foreign Exchange Trading Income.

UNION COMMERCE CORPORATION

Foreign Exchange

Foreign exchange positions, including spot and forward contracts, are valued monthly at prevailing market rates. The resultant net foreign exchange gains (losses) are recorded in other income and amounted to $67,000 in 1981, $146,000 in 1980 and $(127,000) in 1979.

REPUBLIC NEW YORK CORPORATION

Foreign Operations

Foreign currency assets and liabilities have been converted into U.S. dollar equivalents at rates of exchange prevailing at respective year ends. The resultant gains or losses, which are not significant, are included in other income or other expenses.

Operating income and expenses of foreign operations have been converted into U.S. dollar equivalents at rates of exchange prevailing at the time the income was earned or the expenses incurred. The Bank's foreign exchange position is revalued monthly by pricing spot foreign exchange and forward contracts for foreign exchange at prevailing market rates. The resultant net gains or losses are shown as foreign exchange trading income.

Foreign currencies due on loans and interest bearing deposits with banks are generally sold under fixed forward contracts at prices which differ from cost at the date of the loan or deposit. Such differences, which are considered part of the loan and deposit yields, are reflected in income ratably over the life of the contracts and are included with interest and fees on loans and interest on deposits with banks, respectively.

RIGGS NATIONAL CORPORATION

Foreign Exchange Gains and Losses

Net unrealized gains and losses resulting from translation of foreign denominated assets and liabilities, gains or losses from exchange trading and revaluation of exchange positions on forward contracts are included currently in other non-interest income. Aggregate exchange gains amounted to $1,468 in 1981, $1,193 in 1980 and $1,054 in 1979. Foreign denominated assets and liabilities and non-interest income and expense included in the consolidated financial statements are translated at current U.S. dollar rates except for those non-monetary assets and related expenses which require use of historical rates. Foreign exchange trading and positions on forward exchange contracts are valued monthly at current rates. Premium or discount elements of matched foreign currency deposit transactions are accrued over the life of the deposit.

EXAMPLES Acquisitions—purchase transactions (footnotes)

FIRST BANCGROUP-ALABAMA, INC.

Business Combinations

On August 31, 1981 FBG acquired all of the outstanding stock of Bank of the Southeast, (an Alabama state bank which conducts a general commercial banking business in Jefferson County, Alabama) for $1,284,000, financed by the issuance of $2,816,000 principal amount of FBG 7-1/2% Convertible Subordinated Debentures due 2001. The debentures were discounted at an effective rate of 17.25% over their twenty year life. Bank of the Southeast was merged into the FBG affiliate, MetroBank of Birmingham. The transaction was accounted for as a purchase, and operations of the bank since the date of acquisition are included in the consolidated statements of income. After 15 years each $100 debenture is convertible into 3.64 shares of FBG stock. The excess of cost over the fair value of identifiable net assets acquired amounted to approximately $586,000 and is being amortized over a forty year period using the straight-line method.

The pro forma unaudited results of operations for the years ended December 31, 1981, 1980 and 1979, assuming Bank of the Southeast was acquired on January 1, 1981, 1980 and 1979, respectively, are as follows:

	Year Ended December 31		
	1981	1980	1979
Net interest income	$33,667	$34,871	$31,197
Income before securities transactions	6,990	7,092	5,997
Net income	6,990	6,754	5,903
Earnings per Common Share:			
Income before securities transactions	$ 3.16	$ 3.23	$ 2.73
Net income	3.16	3.07	2.69

The excess of cost over the fair value of net assets acquired in business combinations accounted for as purchase transactions amounted to $2,3900,000 and $1,854,000 at December 31, 1981 and 1980, respectively, and is included in other assets in the consolidated statements of condition.

MERCANTILE BANCORPORATION INC.

Acquisition of Subsidiaries

During 1981, the Corporation acquired 100 per cent of the capital stock of two banks. On February 28, 1981, the common stock of the Peoples Bank of Kansas City was acquired for $4,350,000 in cash. On March 31, 1981, Mercantile purchased the stock of the First National Bank of Monett for $1,500,000 in cash and $1,350,000 in notes to be paid over five years. The excess of the purchase price over the fair value of the acquired net assets for both banks amounted to $2,360,000 which is being amortized over a period of forty years. Both acquisitions were accounted for as purchases, and, accordingly, the results of operations, which are not material, are included in the consolidated financial statements from the respective acquisition dates.

The unamortized excess of cost over the fair market value of net assets acquired for all acquisitions accounted for as purchases amounted to $10,922,000 and $8,873,000 at December 31, 1981, and 1980, respectively. The accumulated excess is being amortized on a straight-line basis over a period of forty years from the respective dates of acquisition.

On April 13, 1981, the Corporation contributed $1,500,000 in initial capital to the Mercantile Bank of South County N.A., a de novo bank in St. Louis County. This new bank is expected to be operational in spring, 1982.

An agreement has been reached for the Corporation to acquire the capital stock of the Security Bank of Sikeston for $3,830,000 in cash and $700,000 in notes to be paid over a five year period. Regulatory approval has been granted for the acquisition of the bank, which will take place January 20, 1982.

FLAGSHIP BANKS INC.

Bank Acquisitions

On December 2, 1980, the Company acquired for cash all of the outstanding stock of Florida Bankshares, Inc. which owned all of the outstanding stock of the First National Bank of Sebring. These commercial banks will continue to operate as subsidiaries of the Company. Consolidated net assets at the date of acquisition were comprised of: cash and due from banks--$21,405,000, investment securities--$76,955,000, loans, net--$83,661,000, deposits--$163,660,000, and all other, net--$371,000. The purchase price was approximately $27,600,000 including capitalized expenses. The funds for the purchase price were provided frm the sale of preferred stock and bank borrowings of $8,400,000. The transaction was accounted for as a purchase. The excess of cost over the equity in net assets acquired amounted to approximately $8,865,000 and is being amortized over a 40 year period.

The consolidated financial statements include the results of operations of Florida Bankshares, Inc. and subsidiaries since December 1, 1980. The proforma unaudited results of operations for 1980 and 1979, assuming that this acquisition had been consummated on January 1, 1979 would have been as follows:

	Year Ended December 31	
	1980	1979
	(In Thousands) Except Per Share Amounts)	
Net interest income	$102,359	$91,495
Income before securities transactions and extraordinary item	24,347	20,074
Income before extraordinary item	23,413	19,289
Net income	23,576	24,693
Earnings per common share:		
Primary:		
Income before securities transactions and extraordinary item	$ 3.17	$ 2.59
Income before extraordinary item	3.04	2.48
Net income	3.06	3.25
Fully diluted:		
Income before securities transactions and extraordinary item	$ 2.98	$ 2.48
Income before extraordinary item	2.86	2.38
Net income	2.88	3.05

On January 4, 1982 the Company purchased the remaining outstanding stock of the First National Bank of Sebring, now known as the Flagship National Bank of Highlands County for a combination of cash and stock totalling approximately $5.5 million. Net assets at the date of the acquisition were approximately $61 million. Had this acquisition were approximately $61 million. Had this acquisition occurred as of January 1, 1979, net income and earnings per share for that and subsequent years would not have been materially affected. The transaction will be accounted for as a purchase.

(continued)

On August 17, 1981, the Company agreed to purchase Century Bank of Gainesville for approximately $3.9 million in cash. This agreement is contingent on the merger of Century Banks, Inc. with Sun Banks of Florida, Inc. The net assets of the Century Bank of Gainesville are approximately $24 million.

On December 9, 1981, the Company agreed to acquire all of the outstanding stock of Citizens National Bank of Naples for 600,000 shares of Flagship Banks Inc. common stock. The approximate value of the transaction is $13 million. The net assets of Citizens National Bank of Naples are approximately $113 million. The transaction is subject to approval by the shareholders of Citizens National Bank of Naples and appropriate regulatory authorities.

NORSTAR BANCORP, INC.

Acquisitions

The following table summarizes information pertinent to bank acquisitions completed during 1980 and 1981:

Name of Bank Acquired	Peninsula National Bank	Sullivan County National Bank	Island State Bank	Rondout National Bank
Date of Acquisition	August 1, 1980	June 1, 1981	September 1, 1981	December 1, 1981
Consideration paid:				
Cash	$ 5,788,000	$5,114,000	$3,649,000	$510,000
Principal amount of 10%, five year installment debentures	-	5,228,000	857,000	26,000
Number of shares of stock issued:				
Series E convertible preferred	311,440	-	-	-
Common	-	-	212,923	158,892

The excess of the fair value of consideration paid plus the direct costs of the acquisitions, over the net assets of the banks acquired is included in other assets as "goodwill" and is being amortized to expense over a twenty-year period. Assuming these acquisitions had taken place on January 1, 1980, the consolidated results of operations on a pro forma basis for 1980 and 1981 would have been as follows:

(in thousands, except per share data)	1981	1980
Net interest income	$102,018	94,153
Income before securities transactions	30,840	28,443
Net income	29,727	27,263
Earnings per share:		
Primary:		
Income before securities transactions	$4.32	3.90
Net income	$4.16	3.74
Fully diluted:		
Income before securities transactions	$4.18	3.75
Net income	$4.03	3.59

On February 1, 1982, Norstar Bancorp will acquire The Oneida National Bank and Trust Company of Central New York. At December 31, 1981, Oneida National was operating 34 offices located in seven counties and had total assets of $789 million. Norstar Bancorp, which at December 31, 1981 owned 5,826 shares of Oneida National common stock, will acquire the remaining 1,469,462 shares of common stock outstanding. Approximately 670,000 shares will be acquired for cash at the rate of $50 per share or, at the option of Oneida National shareholders, ten-year, 10% non-assignable debentures with a principal amount of $50 per share. The balance of Oneida National shares will be acquired by exchanging two shares of Norstar Bancorp common stock for each share of Oneida National common stock. Norstar Bancorp will be required to pay cash and issue debentures in an amount approximating $33,500,000 and to issue approximately 1,610,000 shares of common stock. Norstar Bancorp will finance the cash requirement of the acquisition through long-term debt.

TOLEDO TRUSTCORP, INC.

Commercial Bank Acquisitions

During 1980 and 1979 the Corporation and its subsidiaries made the following acquisitions

Bank	Price Per Share	Shares Acquired	Percent of Outstanding Share Acquired	Included in Consolidated Financial Statements Beginning
Farmers & Merchants State & Savings Bank	$ 77	17,850	99.17%	September 15, 1980
The Oak Harbor State Bank Co.	52	67,628	99.45	January 1, 1980
Maumee Valley National Bank--Note(1) Former.				
National Bank of Defiance	35	122,520	100.00	Note(1)
National Bank of Paulding	200	19,762	98.81	January 1, 1979
The Willard United Bank	95	71,491	99.29	January 1, 1979
The Peoples National Bank of Delphos	57	86,066	95.80	June 1, 1979

These transactions were accounted for as purchases. The pro forma results of operations for 1980 and 1979, assuming all the acquisitions had been made at the beginning of 1979, would not be significantly different from the results of operations reported in the Consolidated Statements of Income for 1980 and 1979.

Note(1) On December 26, 1980, National Bank of Paulding acquired the net assets of National Bank of Defiance. Accordingly, the asset and liability balances at December 31, 1980 have been included in the Consolidated Balance Sheets. The results of operations for the former National Bank of Defiance have been included in the Consolidated Statement of Income commencing January 1, 1981. These banks were simultaneously merged forming the Maumee Valley National Bank, a wholly-owned subsidiary of the Corporation.

AMSOUTH BANCORPORATION

Business Combinations

The Bank of East Alabama, acquired February 28, 1979, for $4,800,000; Citizens National Bank of Limestone County, acquired September 12, 1979, for $2,343,600; Citizens Bank & Trust Company, acquired December 3, 1980, for $1,875,000; and The First National Bank of Autauga County, acquired November 3, 1981, for $2,431,000, have been recorded using the purchase method of accounting; and accordingly, the results of these banks' operations since their acquisition dates have been included in the consolidated statement of earnings. The banks had total assets of $78,624,000 at the dates of their acquisition. The excess of the purchase prices over the identifiable net assets of the acquired banks was approximately $887,000, $1,136,000 and $1,284,000 in 1981, 1980 and 1979, respectively. These amounts are being amortized over a forty-year period. These acquisitions did not have a material effect on consolidated net income.

EXAMPLES Acquisition--pooling of interests transactions (footnotes)

TEXAS COMMERCE BANCSHARES, INC.

Mergers

Mergers consummated during the last three years were as follows:

Date		Number of Shares of Common Stock Issued
January 1981	Banc-Southwest Corporation, Amarillo	198,498*
May 1981	Gulfway National Bank of Corpus Christi (renamed Texas Commerce Bank-Gulfway, N.A.)	124,679
August 1981	Friendswood Bank (renamed Texas Commerce Bank-Friendswood)	151,958
November 1981	First National Bank of Stafford (renamed Texas Commerce Bank-Stafford, N.A.)	311,373**
December 1981	The Hillcrest State Bank, University Park (renamed Texas Commerce Bank-Hillcrest)	285,974

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*Includes 38,262 shares of Common Stock issued for substantially all of the 11% minority interest in Bank of the Southwest (renamed Texas Commerce Bank-Amarillo), the principal asset of Banc-Southwest Corporation, in a transaction accounted for on the purchase basis of accounting.

**Represents the number of shares of Common Stock issued for approximately 77% of the bank's capital stock. The remaining 23% interest had been previously owned by a subsidiary of Texas Commerce.

These mergers were all accounted for as poolings of interests. Net interest income and net income of these banks in 1981 totaled $9,539,000 and $3,346,000, respectively, prior to the dates of merger. Texas Commerce's income for 1979 and 1980 as previously reported to its stockholders has been restated for these mergers as follows (in thousands of dollars, except per share):

	1980		1979	
	As Reported	Restated	As Reported	Restated
Net interest income	$311,030	$324,163	$246,452	$257,064
Net income	101,493	104,995	82,380	85,212
Net income per share	$3.48	$3.48	$2.85	$2.85

Separate agreements or agreements in principle have been entered into which provide for the following to become wholly-owned subsidiaries of Texas Commerce:

	Total Assets at December 31, 1981	Maximum Number of Shares of Common Stock to be Issued
Chemical Bank & Trust, Houston	$132 million	377,000*
El Paso National Corporation	793 million	2,368,000**
The Stone Fort National Bank, Nacogdoches	106 million	384,000

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*Represents the number of shares to be issued for approximately 79% of the bank's capital stock. The remaining 21% interest is owned by a subsidiary of Texas Commerce.

**If the average market price per share of Texas Commerce Common Stock is less than $38.33 for the 60 days preceding the date of Federal Reserve Board approval of the merger, the Board of Directors of El Paso National Corporation, a seven-bank holding company, may elect to have the stockholders of El Paso National receive cash in lieu of Common Stock in exchange for their shares of El Paso National stock. In such event, the cash consideration to be paid by Texas Commerce would be approximately $99 million.

SECURITY BANCORP, INC.

Pending Acquisition

On December 17, 1981, the Parent agreed in principle to acquire The St. Clair Shores National Bank for approximately $4,671,000 payable in cash, subject to a definitive agreement and approval of St. Clair's shareholders and regulatory authorities. Total assets of St. Clair amounted to $58,030,000 at December 31, 1981.

EXAMPLES Acquisitions--both purchase and pooling of interests transactions (footnotes)

STATE NATIONAL BANCORP, INC.

Business Combinations

Organization of Bancorp and Acquisition of The State National Bank of Connecticut

Bancorp was incorporated on July 6, 1978 for the purpose of becoming a bank holding company and acquiring the capital stock of the Bank owned by The Sperry and Hutchinson Company (S&H). At that date S&H owned 99.3% of the Bank's capital stock and had filed an irrevocable declaration with the Federal Reserve Board that it would divest its interest in the Bank. During March 1979, Bancorp acquired all shares of the Bank owned by S&H in exchange for 1,810,147 shares of Bancorp common stock. On April 30, 1979, S&H distributed to its stockholders the 1,810,147 Bancorp shares. The acquisition of the Bank was accounted for as a pooling of interests.

Merger with Community Banking Company

On September 28, 1981, Bancorp exchanged 426,196 shares of common stock for all of the outstanding shares of Community Banking Company (Community). The exchange ratio was one and one-quarter shares of common stock of Bancorp for each outstanding share of Community common stock. The combination has been accounted for as a pooling of interests and, accordingly, the financial statements have been restated to include the accounts of Community for all periods presented. Total assets of Community as of September 28, 1981 were approximately $67,000,000. A reconciliation of net income with amounts previously reported is as follows:

	1980	1979
Net Interest Income:		
As previously reported	$33,066,028	$30,747,478
Community	3,416,119	3,168,509
Restated	$36,482,147	$33,915,987
Income Before Securities Transactions:		
As previously reported	$ 6,664,576	$ 5,450,589
Community	578,344	504,966
Effect of minority interest	(2,164)	(1,873)
Restated	$ 7,240,756	$ 5,953,682
Net Income:		
As previously reported	$ 6,512,591	$ 5,435,171
Community	584,148	505,354
Effect of minority interest	(2,164)	(1,873)
Restated	$ 7,094,575	$ 5,938,652

Unaudited net income for Community for the 1981 period through the acquisition date was $352,895.

Acquisition of Westport National Bank

On November 23, 1981, Bancorp acquired all of the outstanding shares of Westport National Bank (Westport) for cash. The combination has been accounted for as a purchase and the net assets and results of operations of Westport since the date of acquisition are included in the consolidated financial statements. The total acquisition cost of $6,671,028 exceeded fair value of net assets acquired by

(continued)

$1,060,549. This excess will be treated as goodwill and amortized on a straight-line basis over a period of 40 years.

In accordance with purchase accounting, certain assets and liabilities of Westport were adjusted as of the effective acquisition date to reflect fair value. Premiums of $4,900,000 and $100,000 were allocated to the deposit base and investment securities, respectively, and a discount of $2,000,000 was allocated to the mortgage loans. The accretion of discount on mortgage loans is computed by the straight-line method over 7 years, which is the average life of the portfolio. The amortization of premium on investment securities is based on the actual remaining life of each issue. The amortization of premium allocated to each deposit account is based on the computed life of each account, ranging from 4 to 8 years.

Pro forma condensed results of operations for the years ended December 31, 1981 and 1980, as though Westport had been acquired as of January 1, 1980, are as follows:

	Year Ended December 31	
	1981	1980
Net Interest Income	$41,416,722	$36,875,124
Income Before Securities Transactions	8,281,116	6,994,127
Net Income	7,615,758	6,839,093
Per Common Share:		
Income Before Securities Transactions	$3.70	$3.13
Net Income	$3.41	$3.06

Total assets of Westport as of the acquisition date were approximately $40,000,000.

EXAMPLES Reestablishment of goodwill previously charged to undivided profits (footnotes)

PEOPLES BANCORPORATION

Shareholders' Equity (excerpt)

Reestablishment of Goodwill

Upon reorganization, Peoples Bancorporation reestablished $8,549,000 of goodwill as an asset and also increased undivided profits by a like amount as required by generally accepted accounting principles. This amount represents the unamortized goodwill which would have been recorded on the Bank's books on the date or reorganization had the goodwill originally been recorded as an asset and amortized using a 40 year life for all goodwill arising from acquisitions other than Columbia Bank, which is being amortized over approximately five years. Prior periods have not been restated due to the immaterial nature of the annual amortization. Amortization expense for 1981 amounted to $285,000.

EXAMPLES Goodwill charged to undivided profits (footnotes)

SUMITOMO BANK OF CALIFORNIA

Accounting Treatment for Goodwill

Effective December 11, 1981, the Bank acquired Pacific City Bank, a California banking corporation, with four branches in Orange County. The purchase price was $14,201,000, consisting of $3,564,000 in cash and accounts payable of $10,637,000 due January 4, 1982. This acquisition has been accounted for as a purchase. Accordingly, the results of the operations of Pacific City Bank have been included with those of the Bank since the date of acquisition.

The Bank acquired nineteen branches of The Bank of California in 1977, and accounted for this acquisition as a purchase.

Under generally accepted accounting principles, the excess of the purchase price paid over the value of the net assets acquired (goodwill) should be recorded as an asset and amortized to income over a period of not more than 40 years. Goodwill from the Pacific City Bank purchase of $10,066,000 was charged directly to surplus in 1977. This accounting treatment is in conformity with the accounting required by the FDIC. The accounting for goodwill continues to be a matter of controversy within the accounting profession and among the bank regulatory agencies.

Had goodwill from the two purchases been recorded as an asset and amortized using a 40-year life net income for 1981, 1980 and 1979 would have been reduced by $511,000 or $.17 per share, $498,000 or $.16 per share and $498,000 or $.16 per share, respectively. A full year's amortization from the two purchases will be $750,000 in future years. Shareholders' equity would also have been increased by $27,920,000, $28,366,000, and $18,864,000 and reported as $120,920,000, $18,366,000, and $18,864,000 and reported as $120,583,000, $94,071,000, and $87,360,000 as of December 31, 1981, 1980 and 1979, respectively.

On a pro forma basis, had the Bank acquired Pacific City Bank on January 1, 1981, interest income would have been $265,604,000, net income would have been $8,129,000 and earnings per common share at December 31, 1981, would have been $2.60 per share.

EUROPEAN AMERICAN BANCORP

Excess of Cost Over Fair Value of Net Assets Acquired

Under a Purchase and Assumption Agreement (the Agreement), dated October 8, 1974, between EABTC and the Federal Deposit Insurance Corporation (FDIC) as receiver of the Franklin National Bank, EABTC assumed the deposits and certain other related liabilites of Franklin National Bank (Franklin). In consideration of such assumption, EABTC acquired certain assets of Franklin with an aggregate fair value equal to the total amount of liabilities assumed less $125 million. EABTC is amortizing such excess by annual charges to earnings representing 2-1/2% of the original excess capitalized. Accumulated amortization at December 31, 1981 and 1980 amounted to $22,157,000, and $19,092,000 respectively.

Bank regulatory authorities generally require that excess of cost over fair value of net assets acquired by charged off immediately upon acquisition. At the time of the Agreement, the bank regulatory authorities permitted EABTC to capitalize such excess but required that the $125 million be charged off at any time by any combination of charges prior to December 31, 1989. In partial compliance with this regulatory requirement, during 1981 in addition to the annual amortization to earnings, EABTC charged off $30,000,000 directly to surplus.

FIRST NATIONAL BANK OF NEW JERSEY

Acquisitions

On June 29, 1981 the Bank purchased five branches of the Fidelity Union Bancorporation for $10,387,000 including certain loans and bank premises and equipment valued at $2,685,000. Under the terms of the purchase agreement, the Bank received cash and assumed related deposit liabilities of $57,999,000 and $68,386,000, respectively.

This acquisition has been accounted for as a purchase and, accordingly, the excess ($7,702,000) of the purchase price over the net assets acquired has been attributed to goodwill. In accordance with Comptroller of the Currency regulations, such goodwill has been charged against retained earnings. Generally accepted accounting principles require that such excess be recorded as an asset and amortized over its estimated useful life, but in no event to exceed 40 years. Assuming an estimated life from 2 to 10 years, approximately $1,323,000 of amortization would have been expensed in the statement of operations. The net effect of the charge to retained earnings in the statement of condition, at December 31, 1981, is to understate assets and stockholders' equity by approximately $6,379,000.

FIRST PEOPLES BANK OF NEW JERSEY

The excess of cost over fair value of net assets of banks purchased in prior years was charged directly to undivided profits at the date of acquisition in accordance with the requirements of the Bank's regulatory agencies. Generally accepted accounting principles require that such excess be recorded as other asset and be amortized be charges to future operations. Accordingly, under generally accepted accounting principles, other assets and undivided profits would have increased by $3,439,200 and $3,536,500 at December 31, 1981 and 1980, respectively. The effect on earnings is not material based on a 40-year amortization period.

NATIONAL COMMUNITY BANK OF NEW JERSEY

Acquisition

On December 31, 1981 the Bank acquired the Allaire State Bank (Allaire) located in Wall Township, New Jersey for 245,853 shares of NCB stock. The acquisition was accounted for under the pooling of interest method and accordingly, the Bank's 1981 and 1980 financial statements have been restated to include the accounts and operations of Allaire.

The results of operations included in the Bank's financial statements are as follows:

	1981	1980
Net Interest Income	$ 2,370,000	$ 2,125,270
Income Before Security Losses	580,136	552,044
Net Income (Loss)	(405,895)	552,044
Earnings per Common Share:		
Income Before Security Transactions	$ .23	$ .22
Net Income (Loss)	$(.16)	$ .22

Also on December 31, 1981, the Bank acquired for $10,669,509 The Mainland Bank located in Linwood, New Jersey. The acquisition was accounted for as a purchase. In accordance with bank regulations the excess of cost over the fair value of net tangible assets acquired aggregating $5,088,501 was charged to undivided profits. The following information represents the results of operations of NCB on a proforma basis as if Mainland had been acquired at the beginning of the years ended December 31, 1981 and 1980:

	1981	1980
Net Interest Income	$33,046,870	$32,975,741
Income Before Security Losses	9,525,038	11,690,324
Net Income (Loss)	3,974,932	11,029,411
Earnings per Common Share:		
Income Before Security Transactions	$3.23	$4.58
Net Income (Loss)	$1.56	$4.32

As a result of the Mainland acquisition the following amounts were included in the December 31, 1981 Statement of Condition

Cash and Due From Banks	$ 9,163,373
Investment Securities	4,023,450
Net Loans	20,995,939
Premises and Equipment	4,096,200
Other Assets	527,564
Deposits	(30,954,626)
Other Liabilities	(2,270,892)
Excess of Cost Over Net Tangible Assets Acquired	5,088,501
Purchase Cost	$10,669,509

On May 15, 1981, the Bank acquired for $2,683,979 an office of the First National Bank of South Jersey located in Atlantic City, New Jersey. The acquisition was accounted for as a purchase. In accordance with Bank regulations, the excess of cost over the fair value of net intangible assets acquired aggregating $485,361 was charged to undivided profits.

Had the acquisition been effective January 1, 1980, the effect on reported results of operations of the Bank for 1981 and 1980 would have been immaterial.

As a result of this purchase, deposits and premises and equipment were increased by $12,737,772 and $1,869,018, respectively.

(continued)

Had the excess of cost over the fair value of tangible net assets acquired in the purchase transactions described above and such excess applicable to a purchase transaction in 1979 been capitalized as intangible assets, total capital funds would have been increased by $7,107,000 and $1,753,000 at December 31, 1981 and 1980 respectively. The effect of amortization of these intangibles on results of operation for 1981 and 1980 would have been immaterial.

EXAMPLES Amortization of goodwill (summary of accounting policies)

STATE STREET BOSTON CORPORATION

Excess of Cost Over Acquired Net Assets

The excess of cost over acquired net assets of subsidiary banks is being amortized over forty-year periods.

TOLEDO TRUSTCORP, INC.

Intangible assets

Intangible assets, primarily arising from cost in excess of net assets acquired of purchased banks, are being amortized over ten and forty years by the straight-line method.

FIRST BANCGROUP-ALABAMA, INC.

In the Parent Company financial statements investments in subsidiaries are carried at equity in the underlying net assets. The excess of cost over fair value of net assets acquired arising from purchase transactions since October 31, 1970 is being amortized by the straight-line method over a forty-year period. The excess arising from purchase acquisitions prior to October 31, 1970 ($631,000) is not being amortized as FBG believes there has been no diminution in value.

HIBERNIA BANCSHARES CORPORATION

Acquisition Premium

On January 1, 1981, The Hibernia Bank acquired Security National Bank in a stock-for-cash merger. The acquisition is accounted for on the purchase method. The excess of cost over net assets acquired (acquisition premium) is amortized over a 20-year period on the straight-line method. Acquisition premium includes amounts paid for the acquisition of deposits.

FIRST NEW MEXICO BANKSHARE CORPORATION

Excess of Cost Over Equity In Subsidiary Banks:

Other assets include $2,972,219 at December 31, 1981 and $2,205,760 at December 31, 1980 of the excess of cost over equity in subsidiary banks acquired in transactions accounted for as a purchase. Excess cost of $1,786,219 which arose from the purchase of Albuquerque National Bank stock in 1968 is not being amortized because, in the opinion of management, there has been no decrease in value, and such amortization is not required because, in the opinion of management, there has been no decrease in value, and such amortization is not required by generally accepted accounting principles in effect in 1968. The remaining excess cost which arose from the purchase of subsidiary banks after 1971 is being amortized using the straight-line method, as required by Accounting Principles Board Opinion 17, over periods of 20 to 40 years.

SECURITY BANCORP, INC.

The Parent accounts for its investments in its subsidiaries by the equity method. Goodwill is being amortized by the straight-line method over a period of forty years.

EXAMPLES Amortization of goodwill (footnotes)

TEXAS COMMERCE BANCSHARES, INC.

Goodwill

Goodwill arising from purchases of subsidiary banks after October 31, 1970 is being amortized over 40 years. Unamortized goodwill was $5,118,000 at December 31, 1981 and $4,493,000 at December 31, 1980. Additional goodwill of $3,651,000 arising from acquisitions of subsidiary banks and unconsolidated affiliates prior to October 31, 1970 is not being amortized. Goodwill is included in other assets on the consolidated balance sheets and represents substantially all of the difference between the purchase cost of each investment and the equity in the underlying net assets.

COLORADO NATIONAL BANKSHARES

Acquisitions

On February 1, 1981, Bankshares acquired for cash all of the outstanding common stock of Arvada State Bank. The transaction was accounted for as a purchase and the operations of Arvada State Bank are included in the consolidated operations since the date of acquisition. The net assets of the Bank at the date of acquisition were comprised of cash and due from banks--$3,579,000; investment securities--$9,854,000; net loans--$28,974,000; deposits--$38,319,000; and all other, net--$167,000. The purchase price of $8,136,000 was funded by borrowings under a credit agreement with an unaffiliated commercial bank.

On January 29, 1981, Bankshares acquired five banks for a total of $43.5 million in cash--Aurora Mountain Bank, N.A. Boulder National Bank; The First National Bank of Pueblo; Fort Collins National Bank; and Park National Bank of Pueblo. The acquisition will be accounted for as a purchase and the operations of the five banks will be included in the consolidated financial statements from the date of acquisition.

The excess of the purchase price over the fair value of the assets acquired in these acquisitions will be amortized over a period not to exceed 40 years.

The unaudited pro forma consolidated results of operations of Bankshares for the years ended December 31, 1981 and 1980, assuming that the aforementioned acquisitions had taken place on January 1, 1980, would be approximately as follows:

(000's Omitted, Except Per Share Data)	1981	1980
Net interest income	$70,771	$61,331
Income before security losses	17,827	14,214
Net income	17,411	13,424
Earnings per Common Share:		
Income before security losses	$3.51	$3.04
Net income	3.43	2.87

PUGET SOUND BANCORP

Acquisitions and Mergers

Bank of Olympia, Olympia, Washington, was acquired by Puget Sound National Bank on January 31, 1981 at a cost of $8,845,000, payable in cash ($2,368,000) and common stock (269,869 shares) of Puget Sound National Bank with a fair market value of approximately $6,477,000. This acquisition has been accounted for as a purchase and, accordingly, results of operations are included in the accompanying statement of income since the date of acquisition. Goodwill arising from this acquisition was $5,111,000, and is amortized on a straight-line method over 40 years.

EXAMPLES Amortization of intangibles (footnotes)

VIRGINIA NATIONAL BANKSHARES, INC.

Mortgage servicing acquisition costs, deposit intangibles and the excess of cost over equity in net assets of acquired subsidiaries are also included in other assets in the consolidated financial statements. Mortgage servicing acquisition costs are amortized in proportion to the estimated net income derived from servicing the related mortgage loans. Deposit intangibles represent the present value of the future relationships. Deposit intangibles are amortized on an accelerated basis over lives ranging up to 28 years. Approximately 50% of the current deposits intangible will be amortized during the first seven years. The excess of cost over equity in net assets of acquired subsidiaries is amortized on a straight-line basis over periods ranging from 15 to 40 years.

FIRST EMPIRE STATE CORPORATION

Intangible Assets

Other assets include deferred software costs related to the development of major computer systems for administrative purposes. Such costs are amortized on the straight-line method over three to five years, the estimated useful lives of the assets.

RAINIER BANCORPORATION

Depreciation and Amortizaton

Property and equipment are carried at cost and depreciated over estimated useful lives. Depreciation expense is computed principally on the straight-line method.

The Mortgage Company amortizes purchase mortgage servicing fees over the estimated life of the related mortgage loan portfolio.

ARIZONA BANK

On December 1, 1980, the bank acquired all the outstanding stock of Applewhite Mortgage Company for $3,870,000. The acquisition was accounted for as a purchase with the excess of acquisition cost over the fair value of Applewhite's net assets being assigned to mortgage servicing rights which are amortized over a nine-year period on a straight-line basis. Applewhite's results of operations subsequent to December 1, 1980, are included in the accompanying financial statements. Inter-company accounts and transactions have been eliminated.

EXAMPLES Investments in other financial institutions (footnotes)

PROVIDENT NATIONAL CORPORATION

Investment Securities

The carrying and approximate market values of investment securities at December 31, 1981 and 1980 are as follows:

	1981		1980	
	Carrying Value	Market Value	Carrying Value	Market Value
Consolidated:				
U.S. Treasury securities	$168,745	$168,068	$117,606	$116,089
U.S. Government agencies and corporations	142,393	119,665	90,542	72,438
State and municipal	202,028	135,403	257,198	219,139
Corporate stocks	81,338	102,953	83,329	88,836
Other	4,375	4,375	40,786	40,786
Total	$598,879	$530,464	$589,461	$537,288
Bank:				
U.S. Treasury securities	$168,745	$168,068	$117,606	$116,089
U.S. Government agencies and corporations	142,393	119,665	90,542	72,438
State and municipal	202,028	135,403	257,198	219,139
Corporate stocks	4,675	4,675	5,069	5,069
Other	4,375	4,375	40,786	40,786
Total	$522,216	$432,186	$511,201	$453,521

At December 31, 1981, investment securities having a carrying value of $302,617,000 were pledged as security for public and and trust deposits

Investment securities of a single issuer, the total carrying value of which exceeds ten percent of PNIC's shareholder's equity at December 31, 1981, are presented below.

Issuer:	Carrying Value	Market Value
First Atlanta Corporation--525,000 shares of common stock	$ 6,519	$ 9,145
Pittsburgh National Corporation--619,600 shares of common stock	$13,298	$16,962
Texas American Bancshares Inc.--429,000 shares of common	$ 9,902	$14,586

At December 31, 1981, there are not investment securities of a single issuer, the total carrying value of which exceeds ten percent of the Corporation's or the Bank's shareholders' equity.

The following table presents data related to the marketable equity securities included in corporate stocks at December 31, 1981 and 1980:

	PNIC and Consolidated	
	1981	1980
Gross unrealized gains	$19,646	$ 3,925
Gross unrealized losses	(165)	(1,778)
Aggregate cost	66,492	62,553
Aggregate market value	$85,973	$64,700
Net realized gains	$ 2,470	$ 343

In 1979 there were no gains or losses on marketable equity securities transactions.

Included in corporate stocks were holdings of PNIC not considered marketable equity securities due to restrictions on their disposal. The carrying value of these restricted stocks totaled $10,171,000 and $15,707,000 at December 31, 1981 and 1980, respectively.

EXAMPLES Equity investments made by other financial institutions (footnotes)

CROCKER NATIONAL CORPORATION

Crocker/Midland Alliance

On October 15, 1981, Midland Bank (Midland) acquired approximately 51% (9.5 million shares) of the company's common stock (assuming full conversion of all convertible securities). This resulted from Midland's tender offer for securities representing or convertible into 6.5 million shares of common stock (at a price of $90 per share) generating $270 million of new equity capital for the company.

This constituted the first of two stages under the Investment Agreement dated October 9, 1980 between the company and Midland. During the second stage (which can consist of a series of purchases during the four-year period ending October 15, 1985), Midland has agreed to purchase directly from the company an additional 2.5 millions shares of common stock at a price of $90 per share. Accordingly, on January 14, 1982, Midland purchased an additional 1.25 million shares at $90 per share for a total of $112.5 million. The Investment Agreement provides that at the end of the second stage Midland will own as much as 57% of the company's common stock (assuming full conversion of all convertible securities), for a total purchase price of approximately $820 million, of which a total of $495 million would be a new equity capital for the company.

CENTRAL NATIONAL CHICAGO CORPORATION

Proposed Merger

On December 15, 1981, the Company entered into letters of intent with Exchange International Corporation ("Exchange") and Citicorp, and on January 27, 1982, the Company entered into an agreement with Exchange whereby a business combination of the Company and Exchange and their respective national bank subsidiaries would be effected.

The Agreement envisions a simultaneous merger of Exchange and its national bank subsidiary, Exchange National Bank of Chicago ("Exchange Bank") into the Company and the Bank, survival of the Company and the Bank (referred to in this context as the "Surviving Company" and the "Surviving Bank") and the change of name of the Surviving Company and Surviving Bank to "Exchange International Corporation" and "Exchange National Bank of Chicago", respectively.

The Agreement provides that each issued and outstanding share of common stock of Exchange will remain outstanding and be deemed converted into one share of common stock of the Surviving Company.

Concurrently, the Surviving Company will issue 150,000 shares of Series A Preferred Stock, $100 par value, to Citicorp and will pay Citicorp the principal amount of $3,425,000 plus interest accrued thereon, interest on another promissory note and $360,000 on account of certain accrued and unpaid dividends in exchange for the cancellation and release of certain of the Company's promissory notes, warrants, and other obligations held by Citicorp at the merger date. The Series A Preferred Stock will be entitled to an 8% dividend, subject to an earnings base and said dividend will be increased to 20% per annum for $750,000 of par value each year from 1987 to 2003, with the remaining shares increased to a 20% rate per annum in 2004. The dividends are noncumulative except to the extent earned and in certain other specified events, and the shares are convertible into one-sixth of one share of Common Stock after December 30, 2015.

Each issued and outstanding share of the Company's Common Stock will be exchanged for one-third of one share of new Series B Preferred Stock, $18 par value, of the Surviving Company. The Series B Preferred Stock will be entitled to vote on a share for share basis with Common Stock and to an 8% annual dividend, subject to an earnings base and prior payment of dividends on the Series A Preferred Stock. The dividends are non-cumulative except to the extent earned and the shares are convertible into Common Stock after five years. Each share of 6% Cumulative Convertible Series A Preferred Stock of the Company will be deemed changed into 11.111 shares of the Company's Common Stock and such shares of the Company's Common Stock will each be exchanged for one-third of one share of the aforementioned Series B Preferred Stock. Accordingly, all Common and Series A Preferred stockholders of the Company will become Series B Preferred stockholders of the Surviving Company.

The proposed transaction is subject, among other conditions, to ratification of the Agreements by the respective Boards of Directors, approval of the transaction by the stockholders of the Company and Exchange, approval by Citicorp and the receipt of requisite governmental approvals, including that of the Federal banking authorities.

BANKS OF IOWA, INC.

Pending Transaction with First Bank System, Inc.

On December 9, 1981, the Company and First Bank System, Inc., Minneapolis, Minnesota, entered into an agreement, with a term of 15 years, which provides that First Bank System, Inc. will purchase the bank subsidiaries along with other assets of the Company, when interstate banking allows First Bank System, Inc. to own banks in Iowa, at a purchase price based on a multiple of shareholders' equity at the end of the month preceding the purchase. The minimum multiple is 1.5 which may be adjusted up to 2.5 according to a formula based on earnings performance.

The purchase price may be adjusted at the time of purchase to an amount determined by independent appraisal. At the present time, such sale is not legally permissible and no legislation is pending which would permit such sale. On December 9, 1981, First Bank System, Inc. also entered into an agreement to purchase 499,046 shares, or about 21-1/2% of the outstanding common shares of the Company, from Ben Schwartz, a director of the Company, and his family interests for 1.25 times book value of the shares at the end of the month preceding the sale. This purchase is conditioned upon approval by the

(continued)

Company's shareholders of the conversion of these shares, upon such purchase, into non-voting Class B common shares. The Class B common shares will have a dividend rate three times the dividend rate on common shares for the first three years, 2.75 times the common shares dividend rate for the next two years, and thereafter the higher of 12% of the purchase price for such shares paid by First Bank System, Inc. or the common share dividend then being paid. The entire transaction requires approval by the shareholders of the Company.

EQUIMARK CORPORATION

Capital Investment and Financing Proposal

Investment and Financing Agreement

On January 5, 1982, the Corporation and the Bank entered into an agreement with The Chase Manhattan Corporation ("CMC") which will provide a total of $125,000,000 in additional capital and financing. The terms of the agreement remain subject to the approval by the Corporation's shareholders, certain creditors and appropriate regulatory authorities.

Under the agreement, (1) the Corporation and the Bank will each sell to CMC $25,000,000 of nonvoting, nonconvertible cumulative preferred stock (the "Series B Preferred Stock" and the "Equibank Preferred Stock"); (2) CMC will receive fifteen-year transferable options (attached to the Series B Preferred Stock) to acquire all the capital stock of the Bank and Nottingham (the "Equibank Option" and the "Nottingham Option", respectively and collectively the "Options"), exercisable in the case of the Equibank Option when and if current banking laws prohibiting such a purchase are changed or if transfered to a holder not proscribed by such laws; and (3) The Chase Manhattan Bank, N.A. ("CMB") will advance $75,000,000 to the Bank on a secured basis with interest at a rate of 13-3/4 percent per annum.

The Series B Preferred Stock with attached Options is not transferable to any person which is not a corporation affiliated with CMC until the earlier of (1) the expiration of three years from the date of issue or (2) the occurrence of an event described in the third item under "Early mandatory redemption" below. In cases of a transfer, the Options will remain attached to the Series B Preferred Stock, all shares of Series B Preferred Stock must be transferred to a single transferee and, in the case of a transfer by CMC to an unrelated third party and, under certain circumstances, in the case of a subsequent transfer, the Corporation will have the first right to purchase such shares for the consideration to be paid by the proposed transferee. In the event of a transfer, under certain circumstances, the stated dividend rate on the Series B Preferred Stock would increase to a current market rate from the date of transfer.

The principal terms of the agreement are as follows:

Preferred stock

The Series B Preferred Stock and the Equibank Preferred Stock will have a life of 15 and 12 years respectively. The stated dividend rate will be 7 percent through December 31, 1984, 10 percent in 1985 and 1986, 12 percent in 1987 and 1988 and 14 percent thereafter. In those cases (described below under "Early mandatory redemption") where the Corporation and/or the Bank may be required to redeem their respective shares of Series B Preferred Stock and Equibank Preferred Stock, the actual dividend rate would be adjusted retroactively to 15-1/2 percent, from variable dates depending upon the circumstances giving rise to the redemption obligation.

Stated redemption schedules

The Series B Preferred Stock will be subject to redemption in amounts of $4,400,000 (17,600 shares) in each year 1989 through 1993 and $1,000,000 (4,000 shares) in each year 1989 through 1993 and $1,000,000 (4,000 shares) in the years 1994 through 1996. The Equibank Preferred Stock will be redeemable in annual amounts of $5,000,000 (100,000 shares) in the years 1989 through 1993.

Early mandatory redemption

The Series B Preferred Stock and the Equibank Preferred Stock are also subject to early mandatory redemption in certain circumstances, as follows:

If five years have expired from date of issuance of the Series B Preferred Stock without a change in the applicable law which currently precludes CMC from exercising the Equibank Option, and CMC notifies the Corporation that the Equibank Option will be surrendered.

If CMC within two years subsequent to a change in applicable law, notifies the Corporation that the Equibank Option will not be exercised.

If CMC is permanently precluded from exercising the Equibank Option or is required to divest itself of the Series B Preferred Stock, the Equibank Preferred Stock or the Equibank Option by a court or regulatory authority and CMC gives notice to the Corporation requiring redemption.

In the event of a willful or material breach by the Corporation of certain covenants provided in the agreement, the holder of the Series B Preferred Stock with attached Options can require the redemption of all the outstanding Series B Preferred Stock or all but 4,000 shares of the Series B Preferred Stock in which case the Options will remain outstanding and attached to such remaining shares.

If early mandatory redemption is required under the above circumstances, the Corporation would, in certain cases, have up to two years to pay the redemption price.

Redemption at the election of the Corporation and the Bank:

The Series B Preferred Stock and Equibank Preferred Stock may be redeemed at the election of the Corporation and the Bank in certain circumstances as follows:

If three years have expired after a change in applicable law and CMC or any subsequent holder of the Equibank Option has not given notice of intention to exercise the Equibank Option within three years after the transfer.

If two years have elapsed from the date on which CMC is denied regulatory approval to exercise the Equibank Option.

If CMC is denied regulatory approval of an exercise of the Equbank Option, and the Series B Preferred Stock, with attached Options, is transferred to an unrelated third party and such party has not given notice of intention to exercise the Equibank Option within two years after the transfer.

Termination fees

Upon redemption of the Series B Preferred Stock pursuant to the stated redemption schedule and, under certain circumstances, upon redemption at the election of the Corporation, no termination fee is required. In other cases, redemption of the Series B Preferred Stock will required the Corporation to pay a termination fee.

The termination fee is an amount equal to the difference between dividends on the Series B Preferred Stock and the Equibank Preferred Stock that would have accrued at 15-1/2 percent, calculated retroactively from the date of issuance to the redemption date, and dividends actually accrued during such period, plus interest on the difference between dividends on the Series B Preferred Stock and the Equibank Preferred Stock that would have been paid at 11 percent (and in certain cases 15-1/2 percent) and the amount of dividends actually accrued at the stated rate.

In the event of the willful or material breach by the Corporation of certain covenants, the holder of the Series B Preferred Stock can require the redemption of all but 4,000 shares of Series B Preferred Stock. In such case, the Corporation can, after the payment of an additional termination fee, redeem the remaining 4,000 shares of Series B Preferred Stock. The additional termination fee is an amount equal to the greater of $5,000,000 or $2,500,000 plus one-half of the amount by which net income of the Bank (during the most recent 12 quarterly accounting periods) exceeds $2,500,000 for each such period. This additional termination fee is limited to a maximum of $20,000,000.

Covenants

While the Series B Preferred Stock remains outstanding, the Corporation and the Bank will be required to comply with certain covenants which may affect the activities of the Corporation, the Bank and Nottingham. The more significant covenants include restrictions on Bank dividends, redemption of the Bank's capital stock, and disposition and acquisition of assets, mergers, and the types of future businesses in which the Corporation and the Bank may engage.

Options and exercise price

The exercise price payable upon a sale of the capital stock of the Bank pursuant to an exercise of the Equibank Option will vary, depending upon the date of such sale. If such sale occurs in the years 1982, 1983 or 1984 the exercise price (the "Base Exercise Price") will be $75,000,000 plus increases in the net income of the Bank during such years (not to exceed $3,000,000) arising from the utilization of certain tax benefits. Beginning in the year 1985 and 1986, 80 percent in 1987 and 50 percent thereafter) of the Bank's net income (or net loss) and decreased by (a) all dividends paid by the Bank after January 1, 1985 and 1986, 80 percent in 1987 and 50 percent thereafter) of an amount equal to 15-1/2 percent minus the average per annum dividend rate applicable to the Series B Preferred Stock for such year (or portion thereof), multiplied by the average aggregate amount of stated value of the Series B Preferred Stock for such year (or portion thereof), multiplied by the average aggregate amount of stated value of the Series B Preferred Stock ($250 per share) outstanding during such year (or portion thereof). The foregoing amounts will be further increased by the amount of any cash equity investment made by the Corporation in the Bank after September 1, 1981, an amount equal to the fair market value of any assets (other than cash) contributed by the Corporation to the Bank and an amount equal to the fair market value of any assets (other than cash) contributed by the Corporation to the Bank and an amount equal to the fair market value of any bank or corporation that may be merged into the Bank. The exercise price payable upon a sale of the capital stock of the Bank pursuant to an exercise of the Equibank Option will not be less than the Base Exercise Price. Such amount, however, will be subject to an offset equal to the Corporation's redemption obligation with respect to the outstanding Series B Preferred Stock. All or part of such exercise price could be payable in preferred stock or common stock of CMC.

The sale of the capital stock of the Bank pursuant to an exercise of the Equibank Option will obligate the Corporation to redeem all the then outstanding shares of its $2.31 Cumulative Convertible Preferred Stock.

The Nottingham exercise price will be equal to the stockholder's equity of Nottingham adjusted for the difference between book value and current market value of securities held by Nottingham. At December 31, 1981, stockholder's equity, adjusted as aforesaid, was approximately $1,500,000.

Advance

CMB has advanced $75,000,000 to the Bank on a short-term basis. The interest rate was 14-1/2 percent from inception, August 12, 1981, to December 15, 1981 12-5/8 percent through March 2, 1982 and will

EXAMPLES Changes in pension plan actuarial assumptions (footnotes)

FIRST NATIONAL CINCINNATI CORPORATION

The Corporation has non-contributory pension plans covering substantially all employees. Total pension expense was $1,150,000 in 1981, $1,003,000 in 1980 and $956,000 in 1979 which includes the amortization of unfunded past service costs over thirty years. The Corporation's policy is to fund pension cost accrued.

A comparison of accumulated plan benefits and plan net assets for the subsidiaries' benefit plans as of

(continued)

January 1 is presented below. The largest plan, representing more than 90% of plan benefits and plan assets, is valued as of January 1. The remaining three plans are valued as of January 1, May 1 and June 1.

	(thousands of dollars) 1981	1980
Acturarial Present Value of Accumulated Plan Benefits:		
Vested	$ 9,291	$ 9,903
Nonvested	334	361
Total	$ 9,625	$10,264
Net Assets Available for Benefits	$16,674	$14,235

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7-1/2% for 1981 and 6% for 1980. The effect of this change in assumed interest rate was to decrease 1981 vested benefits by $1,600,000 and 1981 nonvested benefits by $127,000

SUBURBAN BANCORP

Pension Plans

Bancorp has a contributory defined benefit pension plan covering substantially all of its employees meeting age and length-of-service requirements. Pension expense, based on the entry age-normal cost method of funding, was $1,082,000 in 1981, $1,007,000 in 1980 and $833,000 in 1979. Pension expense includes normal cost plus a 40-year amortization of the unfunded prior service cost at July 1, 1976 (which aggregated $1,541,000), a 15-year amortization of the actuarial gains and losses which have arisen since that date, and a 30-year amortization of the decrease in the net deficiency at July 1, 1981 resulting from the net effect of changes in plan assumptions made in 1981. Such changes in assumptions included an increase in the assumed rate of return used in determining the actuarial present value of accumulated plan benefits from 6% to 7%, increases in the assumed rate of withdrawal from the plan, a decrease in the length of service required to be included in the valuation group and an increase in assumed future salary increases from 4% to 5% per year. Pension costs are funded as accrued. Accumulated plan benefit information, as estimated by consulting actuaries, and net assets available for benefits for the plan at July 1 are:

Actuarial present value of accumulated plan benefits (in thousands):	1981	1980
Vested	$10,114	$ 9,960
Non-vested	2,252	431
	$12,366	$10,391
Net assets available for benefits	$13,998	$12,066

FIRST-CITIZENS BANK AND TRUST COMPANY

The Bank and it subsidiaries have a non-contributory pension plan covering all employees who qualify under length of service and other requirements. Total pension expense was $2,171,778 in 1981, $2,544,918 in 1980 and $2,100,000 in 1979. Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Bank's plan are as follows:

	January 1 1981	1980	1979
Actuarial present value of accumulated plan benefits:			
Vested	$ 7,262,271	$ 9,322,215	$ 8,635,475
Nonvested	834,889	866,317	666,816
	$ 8,097,160	$10,208,532	$ 9,302,291
Net assets available for benefits	$18,447,265	$14,603,352	$11,723,770

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8-1/2% for 1981 and 6% for 1980 and 1979.

The latest actuarial report reflects certain changes in actuarial assumptions which result in a decrease of $700,000 in 1981 pension expense and a decrease of $4,245,000 in the present value of accrued benefits. The changes relate to rate assumptions pertaining to investment return, salary increases and social security benefits.

Effective December 31, 1981, the Bank's voluntary Employee Stock Purchase Plan was discontinued. The Bank's contributions to the plan for the years 1981, 1980 and 1979 were not material.

FIRST TENNESSEE NATIONAL CORPORATION

Profit sharing and pension plans. Substantially all of the employees of the Company and its subsidiaries participate in a contributory profit sharing plan. Participating employers which are affiliated within the meaning of Section 1504 of the Internal Revenue Code contribute annually, as a group, an amount equal to seven per cent of the group's consolidated income before securities gains (losses). Each participating employer not so affiliated contributes an amount determined by its Board of Directors. Total employer contributions to the profit sharing plan for 1981, 1980 and 1979 were $2,104,000, $1,617,000, and $1,525,000, respectively.

Substantially all of the employees of the Company and its subsidiaries participate in a noncontributory, defined benefit pension plan. The Company's policy is to fund pension costs as they accrue. Pension expense was $2,259,000 in 1981; $1,991,000 in 1980; and $1,886,000 in 1979, including amortization of prior service costs over a period of 30 years.

A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit pension plan is presented below:

	January 1	
(Thousands)	1981	1980
Actuarial present value of accumulated plan benefits:		
Vested	$12,664	$13,454
Non-vested	1,791	1,689
	$14,455	$15,143
Net assets available for benefits	$17,904	$14,585

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.00 percent for 1981 and 6.50 percent for 1980. In 1981 certain changes in actuarial assumptions and methods were made. Along with the change in interest rate there were also changes in assumptions with reference to mortality rates, withdrawal rates, salary scales and valuation of assets resulting in an increase in net assets available for benefits of $3,278,000 when comparing the 1981 valuation before assumption changes with the 1981 valuation after assumption changes.

SHAWMUT CORPORATION

Retirement Plan

The Corporation and its subsidiaries have a non-contributory trusted pension plan covering employees who meet specified age and employment requirements. Total pension expense was $3,946,000 in 1981, $3,645,000 in 1980 and $3,372,000 in 1979. The Corporation and its subsidiaries follow the policy of funding, at a minimum, pension costs accrued which include normal pension cost and amortization of prior service costs over 40 years. Accumulated plan benefit information estimated by consulting actuaries as of January 1, 1981 and 1980 and plan net assets for the Corporation and its subsidiaries' plan were:

	1981	1980
Actuarial present value of accumulated plan benefits		
Vested	$34,402,000	$36,606,000
Nonvested	1,866,000	2,162,000
Total actuarial accumlated benefits	$36,268,000	$38,768,000
Net assets available for benefits	$42,159,000	$34,709,000

In 1981 several actuarial rate assumptions were revised to more closely reflect the experience of the plan. Such assumption revisions had the effect of reducing pension expense by $160,000 in 1981. No change was made in actuarial methods. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6.5% in 1981 and 5.5% in 1980.

EXAMPLES Commitments and contingencies (footnotes)

BANKAMERICA CORPORATION

Contingencies

As of December 31, 1981 and 1980, commitments under standby letters of credit approximated $4.6 billion and $2.8 billion, respectively.

The parent is not a party to any material legal proceedings. The bank and certain subsidiaries, because of the nature of their business, are at all times subject to numerous legal actions, threatened or filed. In one such action, the holders or debentures

(continued)

for which the bank was trustee assert that the bank acted improperly as trustee and in making loans allegedly leading to the debenture issuer's bankruptcy. The bank is vigorously defending the suit and cannot reasonably evaluate its exposure, if any, at this time. Another suit seeks damages from the bank alleged to have been suffered as a result of the bank's collection of impound account funds from its mortgage borrowers and the use of the funds by the bank, without adequate compensation, pending payment to insurers and taxing agencies. In January 1982, the trial judge issued a notice of intended decision against the bank in the amount of $101 million. The bank is vigorously defending this suit; and although the amount of the ultimate exposure, if any, cannot be determined at this time, the bank, based on advice of counsel, does not except the final outcome will have a material adverse effect on its results of operations or financial condition. The corporation, based on the advice of counsel, does not expect that the final outcome of the other threatened or filed suits will have a material adverse effect on its results of operations or financial condition.

COMMERCE BANCSHARES, INC.

Commitments

The Company and its subsidiaries have entered into various lease arrangements covering the use of certain premises and equipment, all of which are classified as operating leases. The lease expense under such arrangments amounted to $2,236,000, $1,895,000 and $1,875,000 for the years ended December 31, 1981, 1980 and 1979, respectively. A summary of minimum lease commitments follows:

Year Ended December 31	Type of Property		Total Commitment
	Real Property	Equipment	
1982	$ 1,899	$485	$ 2,384
1983	1,831	209	2,040
1984	1,830	6	1,836
1985	1,830	5	1,835
1986	1,829	4	1,833
After	53,975	2	53,977
Total minimum lease payments			$63,905

All leases expire prior to 2061. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 1982.

Tower Properties Company, of which The Kemper Investment Company and Mr. James M. Kemper, Jr. own substantial interests, and its subsidiaries lease certain facilities to subsidiaries of Commerce Bancshares, Inc. The annual aggregate rentals paid by the Company's subsidiaries to Tower Properties Company and its subsidiaries vary depending upon the space occupied. For the years ended December 31, 1981, 1980 and 1979, aggregate rentals of $1,605,000, $1,337,000 and $1,290,000 were paid. The Commerce Building, owned by Commerce Bank of Kansas City, N.A., is managed by Tower Properties Company, and in 1981, 1980 and 1979 management and maintenance fees and lease commissions were paid in the amounts of $146,000, $92,000 and $103,000, respectively.

HIBERNIA BANCSHARES CORPORATION

Commitments

In the normal course of business, there are outstanding various commitments and contingent liabilities such as commitments to extend credit which are not reflected in the accompanying financial statements, including $18,120,000 under standby letters of credit at December 31, 1981. No material losses are anticipated as a result of these transactions.

Contingencies

Legal actions are pending against Hibernia in which the relief or damages sought are very substantial. In addition, Hibernia is at all times subject to pending or threatened actions and proceedings arising in the normal course of business. Hibernia is a defendant in one suit brought to recover alleged excess service charges on returned items and punitive damages. The suit is similar to suits now pending against other major California banks.

After reviewing with counsel pending threatened actions and proceedings, management considers that the outcome of such actions or proceedings will not have a material adverse effect on operations or financial condition.

PUGET SOUND BANCORP

Commitments and Contingent Liabilities

In the normal course of business, Puget Sound Bancorp and its subsidiares have outstanding various commitments and contingent liabilities, such as letters of credit, guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. In the opinion of management, there are no firm commitments to extend credit which represent unusual risks to Puget Sound Bancorp or its subsidiaries.

Outstanding commitments include commitments under standby letters of credit aggregating $5,626,000 at December 31, 1981

The bank is defendant in and threatened with various legal proceedings arising from its regular business activities. Management, after consulting with legal counsel, is one of the opinion that the ultimate liability, if any, resulting from these and other pending or threatened actions and proceedings will not have a material effect on the financial position or results of operations of Puget Sound Bancorp or its subsidiaries.

FIRST JERSEY NATIONAL CORPORATION

Commitments and Contingent Liabilities

In the normal of business, there are outstanding various legal proceedings, claims, and commitments and contingent liabilities such as guarantees and commitments to extend credit (including standby letters of credit of $6,690,000 at December 31, 1981), which are not reflected in the accompanying financial statements. In the opinion of management, the consolidated financial position of the Corporation and subsidiaries will not be affected materially by the outcome of such legal proceedings and claims, or by such commitments and contingent liabilities.

In addition, The First Jersey National Bank (Bank) acted as a depository in the December 1978 tender offer by United Technologies Corporation (United) for shares of Carrier Corporation (Carrier). On December 7, 1978, United announced that it would accept the equivalent of 17 million (or 85.07%) of the approximately 20 million shares then thought to have been tendered. When it was subsequently determined that a lesser number of shares had actually been tendered, United retained the 85.07% proration which resulted in the purchase of approximately 16.2 million of the tendered shares. In January 1979, letter was received by the Bank from United asserting that the Bank had commited errors which results in United's being unable to purchase 800,000 of the shares being tendered and that United would hold the Bank responsible for all damages which it might incur as a result of the Bank's errors and omissions.

United has not specified to the Bank the possible claims or amount of damages which it might assert against the Bank. However, on the basis of the facts presently known to the Bank, if litigation should be brought against the Bank by United, management believes that the Bank would have meritorious factual and legal defenses to the possible claims and, even if the Bank is not successful in defending against such claims, the effect of any ultimate liability to the consolidated financial position of the Corporation would not be material.

In addition, Citibank, N.A. ("Citibank"), a national banking association, has filed an adversary complaint in the matter of Securities Investor Protection Corporation v. M.S. Wien & Co., Inc. in United States Bankruptcy Court for the District of New Jersey against the Trustee and The First Jersey National Bank. Citibank has alleged therein, among other matters, that it has a security interest covering approximately $3,000,000 of indebtedness and that if it is unsuccessful in upholding its asserted security position, (i) First Jersey will have been grossly negligent and breached a contractual obligation to maintain that security position of Citibank, (ii) First Jersey's conduct constitutes a fraud on Citibank and (iii) First Jersey is liabile to Citibank for actual damages in the amount of the indebtedness and punitive damages. Based on facts known to the Bank and advice of and consultation with counsel, management is of the opinion that an ultimate loss, if any, would not be material to the consolidated financial statements of the Corporation.

TEXAS AMERICAN BANCSHARES INC.

Commitments and Contingent Liabilities

In the normal course of business, the Corporation's subsidiaries have various outstanding commitments and contingent liabilities, such as commitments to extend credit, standby letters of credit, guarantees, etc., which are not reflected in the financial statements. No material losses are anticipated as a result of these commitments. Standby letters of credit aggregating $64,486,000 were outstanding at December 31, 1981.

The Corporation has a system-wide facilities management contract for electronic data processing services which originally provided for the delivery of such services through 1986. In 1981 this contract was amended in order for the Corporation to assume responsibility for operation of certain of its systems by 1983. A related agreement with the facilities management firm was also reached under which that firm would continue to provide certain other data processing services as requested by the Corporation through 1986.

Net rental expense and future lease commitments are not material.

Because of the nature of their activities, the Corporation and its subsidiaries are subject to pending and threatened legal actions which arise in the normal course of business. In the opinion of management, based upon opinions of legal counsel, the disposition of all outstanding legal actions will not have a material effect on the financial statements of the Corporation.

INDUSTRIAL VALLEY BANK AND TRUST COMPANY

Other Commitments

The consolidated financial statements do not include various commitments and loan guarantees made during the normal course of business. The following table presents the approximate amount of these outstanding unfunded informal revocable lines of credit and formal commitments to make additional loans or advances as of December 31:

	(In Thousands)	
	1981	1980
Commercial	$447,745	$475,089
Construction and mortgage	87,095	118,393
Accounts receivable	10,763	8,784
Letters of credit and standby letters of credit	82,807	42,631
Total	$628,410	$644,897

IVB has sold, or is servicing under contract, Government National Mortgage Association certificates or pools totaling $213,689,000 at December 31, 1981 and $215,472,000 at December 31, 1980. IVB is required to remit monthly principal amortization and interest on all mortgages, including those which are delinquent or in foreclosure. All of the mortgages are insured by the Federal Housing Administration or the Veterans Administration.

FIRST ATLANTA CORPORATION

Commitments and Contingent Liabilities

In the normal course of business there are outstanding various commitments and contingent liabilities (commitments to extend credit, future contracts, guarantees, etc.) which are not reflected in the accompanying financial statements.

First Atlanta has standby letters of credit outstanding of $46,466,000 and $21,023,000 at December 31, 1981 and 1980, respectively.

(continued)

First Atlanta is a party (as plaintiff or defendant) to a number of lawsuits incidental to its businesses, and in certain of such suits, claims or counterclaims have been asserted in substantial amounts.

The Atlanta Bank has been named as a defendant in two purported class action lawsuits that challenge the Atlanta Bank's practice of lending money at rates of interest tied to its prime rate and its method of calculating interest on certain loans. These suits, which seek unspecified damages equal to twice the interest paid by the purported plaintiff classes, are being vigorously defended, and management believes that the Atlanta Bank has a good and meritorious defenses to the claim made.

In the opinion of management, the ultimate outcome of all such cases should not have a material effect on First Atlanta's financial position.

UNITED VIRGINIA BANKSHARES INCORPORATED

Commitments and Contingencies: In the normal course of business, there are outstanding commitments and contingent liabilities which are reflected in the accompanying financial statements. These include commitments to extend credit, letters of credit and loan guarantees. No losses are expected to results from these transactions.

Lines of credit are established for a potential borrower as an indication of the aggregate amount of outstanding loans that the Bank is willing to extend. Frequently, these lines of credit are supported by balances left on deposit. Loan advances made under such lines usually do not extend beyond the borrower's fiscal year. Such advances are normally given for working capital purposes and require repayment within twelve months.

Formal long-term commitments are made under legal and binding agreements for which the borrower pays a commitment fee. These agreements typically contain clauses that permit cancellation of the commitment in the event of credit deterioration of the borrower.

The Bank's outstanding standby letters of credit amounted to approximately $152,423,000 at December 31, 1981.

On November 21, 1980, the Board of Directors approved the construction of a new headquarters facility (570,000 gross square feet). Approximately 90% of the estimated $50 million of direct construction costs were committed as of December 31, 1981.

Certain litigation is pending against the Parent and its subsidiaries. Management, after reviewing these with legal counsel, is of the opinion that these matters, when resolved, will not have a material effect on the accompanying financial statements.

US BANCORP

Commitments and Contingent Liabilities

Bancorp and certain subsidiaries are defendants in various legal proceedings. Included is a purported class action filed against USNB on behalf of certain customers who have been charged for payment or return NSF checks. Management, after reviewing these actions and proceedings with counsel, believes that the outcome of such proceedings will not have a materially adverse effect upon the consolidated financial position or consolidated results of operations of Bancorp or its subsidiaries.

In the normal course of business there are various outstanding commitments and contingent liabilities, such as commitments to extend credit and guarantees, which are not reflected in the financial statements. Management does not anticipate any material loss as a result of these transactions. At December 31, 1981, such commitments and contingent liabilities included $65,353,000 in standby letters of credit ($37,107,000 at December 31, 1980).

EXAMPLES Participated letters of credit (footnotes)

CITICORP

Commitments and Contingent Liabilities (excerpt)

Standby letters of credit, issued primarily by Citibank for the account of major customers, are obligations to make payments for customers' accounts under certain conditions to meet contingencies related to customers' obligations, including performance of contractual commitments. At December 31, 1981, outstanding standby letters of credit participated to other financial institutions or supported by collateral, primarily marketable securities, totalled approximately $4,278 million. Other standby letters of credit as of December 31, 1981 had been issued to domestic customers and 57% had been issued to overseas customers.

EXAMPLES Restrictions on net assets imposed by Section 23A of the Federal Reserve Act

EXCHANGE BANCORPORATION, INC.

Funds Restrictions (footnote)

The Federal Reserve Act restricts the subsidiary banks in lending or advancing funds to or investing in the securities of their affiliates, as defined in Section 23A of the Act. In addition, bank regulatory agencies restrict the amounts available for the payment of dividends by the subsidiary banks to Exchange without obtaining prior approval of those agencies.

At December 31, 1981, the amount of net assets of the subsidiaries which were restricted from transfer to Exchange was $59,489,000.

Cash dividends paid by the subsidiaries to Exchange for 1981, 1980, and 1979 amounted to $5,233,000, $4,898,000 and $2,647,000, respectively.

Under the most restrictive terms contained in certain debt agreements, $19,077,000 of retained earnings at December 31, 1981 are available for the payment of cash dividends by Exchange to its shareholders.

FIRST NATIONAL BANCORPORATION, INC.

(summary of accounting policies)

Assets and retained earnings of the Company consist principally of equity in the assets and retained earnings of bank subsidiaries. Federal banking laws limit bank loans to non-bank parents and non-bank subsidiaries of parents to fixed percentages of the banks' capital and surplus and require all loans to be collateralized by specific types and amounts of debt instruments. The laws also limit dividends, without approval of regulatory agencies, to earnings retained in the current and preceding two calendar year. Earnings for this purpose are defined, in general, as net income adjusted for actual net loan charge-offs and reduced by cash dividends paid. No amounts were loaned to the parent and its non-bank subsidiaries at December 31, 1981, and at that date the limitation on dividends least restricted transfer of bank funds to the parent.

PEOPLES BANCORPORATION

(excerpt from acquisition footnote)

Restrictions on Dividends, Loans, or Advances

Certain restrictions exist regarding the ability of the bank to transfer funds to the Corporation in the form of cash dividends, loans, or advances. The provisions of the Bank's 8-3/4% Subordinated Note restrict the Bank's dividends declared or paid to not more than 50% of the annual net income of the prior three years, other than dividends payable in common stock of the Bank. In addition, the approval of the Comptroller of the Currency is required to pay dividends which exceed the Bank's net profits for that year plus its retained net profits for the preceding two years.

Section 23A of the Federal Reseve Act prohibits the Bank from making loans or advances to the Corporation in excess of 10% of its capital stock and surplus.

As a result of these restrictions, approximately $77.6 million of the $92.2 million of net assets of the Bank which are included in consolidated net assets of the Corporation are restricted from being transferrred to the Corporation as cash dividends, loans or advances. Amounts available for payment of dividends under thge most restrictive conditions at December 31, 1981 aggregate approximately $12 million.

EQUITABLE BANCORPORATION

Stockholders' Equity (footnote)

The Company is authorized to issue up to 10,000,000 shares of $5 par value Common Stock of which 4,403,443 shares are issued including 253,799 shares which are held as treasury stock. In addition, up to 10,000,000 shares of $5 par value Preferred Stock are authorized, none of which is issued or outstanding.

As of December 31, 1981 there were 210,460 shares of Common Stock reserved for issuance under the terms of a stock option plan, as amended, for key executives. Option prices under the plan may not be less than the fair market value of the stock on the date granted. At December 31, 1981 and 1980 there were outstanding options for the purchase of 205,769 and 230,627 shares, respectively, at prices ranging from $12.38 to $32.48 per share (average--$17.27). The outstanding options at December 31, 1981 had expiration dates ranging from December 30, 1983 to December 17, 1990 and options to purchase 137,105 shares were exercisable.

Under current FDIC regulations, the banking subsidiaries are limited in the amount they may loan to their affiliates, including the Parent. Loans to a single affiliate may not exceed 10% and loans to all affiliates may not exceed 20% of each banking subsidiary's net assets plus the reserve for possible loan losses. Based on these limitations, there was approximately $15,700 available for loans to the Parent. There were no loans outstanding at December 31, 1981. In addition, undistributed earnings of the banking subsidiaries in the amount of $66,996 were available for distribution to the Parent as dividends without prior approval from regulatory agencies. The remaining amount of net assets of the banking subsidiaries of $62,900 is restricted as to payments to the Parent.

MARYLAND NATIONAL CORPORATION

Debt and Dividend Restrictions (footnote)

Under current Federal Reserve regulations, the Bank is limited in the amount is may loan to its affiliates, including the Corporation. Loans to a single affiliate may not exceed 10% and loans to all affiliates may not exceed 20% of the Bank's capital, surplus and undivided profits (net assets) after adding back the reserve for loan losses. Based on these limitations, there was approximately $53,637,000 available for loans to the Corporation.

Banking law limits the amount of dividends which a bank can pay without obtaining prior approval from bank regulators. Under this law, the Bank could, without bank regulatory approval declare dividends in 1982 of approximately $49,314,000 plus an additional amount equal to its net profits for 1982 up to the date of any such dividend declaration.

The remaining amount of Bank net assets of $165,233,000 representing approximately 63% of consolidated net assets is restricted as to payments to the Corporation.

There were no similar restrictions on any of the non-bank subsidiaries.

EXAMPLES Restrictions on payment of dividend to holding company (footnotes)

STATE NATIONAL BANCORP, INC.

Regulatory Restriction on Payment of Dividends by National Banks

As of December 31, 1981 $10,947,042 of undistributed earnings of the Bank, included in consolidated retained earnings, was available for payment of dividends without prior approval of the Comptroller of the Currency.

STATE STREET BOSTON CORPORATION

Restricted Net Assets

The indenture under which the 5% convertible capital notes were issued limit the amount of dividends which may be paid by State Street Bank. In addition, federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by subsidiary banks to State Street. At December 31, 1981, under the most restrictive covenants and regulations, net assets of subsidiary banks amounting to $52,615,000 were available for distribution to State Street in the Form of dividends and loans or advances.

At December 31, 1981, consolidated retained earnings included $1,767,000 of undistributed earnings of a 50% owned affiliated, accounted for by the equity method.

SUN BANKS OF FLORIDA, INC.

Dividends From Subsidiaries

Dividends paid by the subsidiary banks are the primary source of funds available to the Parent Company for payment of dividends to its shareholders and for other working capital needs, including payment of interest on its outstanding long-term debt. Applicable federal and state statutes and regulations impose restrictions on the amount of dividends that may be declared by the subsidiary banks governed by the respective statutes.

The Company's subsidiary national banks could declare dividends without prior approval of the Comptroller of the Currency of approximately $15,697,000, plus an additional amount equal to each subsidiary's net profits (as defined) in 1982 for the applicable dividend period, subject to the relevant statutes mentioned above. The Company's State-chartered banking subsidiaries could declare dividends without prior approval of the Florida Department of Banking and Finance of approximately $11,449,000, plus an additional amount equal to each subsidiary's net profits (as defined) in 1982 for the applicable dividend period, subject to the relevant state banking statutes mentioned above and, in the case of State-chartered banks that are members of the Federal Reserve System, to the dividend restrictions imposed by the Federal Reserve Act.

CONTINENTAL ILLINOIS CORP.

Dividend and Loan Restrictions

The payments of dividends and extensions of credit by the Bank to the Parent Company carry certain restrictions under National Banking Laws. Dividends declared in any calendar year cannot exceed, without the approval of the Comptroller of the Currency, the Bank's net profits (as defined) for the year along with the retained net profits for the previous two years. Loans to any single affiliate, including the Parent Company, cannot exceed 10% of the Bank's Capital Loans. Loans to all affiliates may not exceed 20% of the Banks Capital. All loans to affiliates must meet statutory collateralization requirements. Based on these restrictions at December 31, 1981, the Bank could have declared approximately $647 million of dividends without approval and could have extended loans of $189 million to the Parent Company. The remaining portion of the Bank's net assets, $939 million, which represented 54% of consolidated net assets, was restricted in regards to payment of dividends or extension of loans to the Parent Company.

Below is a schedule of cash dividends paid to the Parent Company during the past three years ($ in thousands):

	1981	1980	1979
Cash Dividends Paid			
Bank subsidiary	$ -	$29,997	$49,995
Other subsidiaries	26,465	-	-
Total	$26,465	$29,997	$49,995

EXAMPLES Restrictions on payment of dividends to shareholders

FIRST TENNESEE NATIONAL CORPORATION

Dividend Restrictions

Certain loan agreements and indentures restrict the payment of dividends. One such indenture restricts the amount of undivided profits available for dividends to an amount calculated by use of a formula which takes into account net operating income and total dividends paid or declared since 1971. Under the provisions of these loan agreements and indentures, undivided profits of $104,943,000 and $88,168,000 at December 31, 1981 and 1980, respectively, were not so restricted.

In addition, these agreements and indentures define certain other restricted transactions relating to additional borrowings and additional public offerings of capital stock.

Dividends which can be paid to the parent company by bank subsidiaries without obtaining prior approval from bank regulatory agencies amounted to $42,577,000 and $49,083,000 at December 31, 1981 and 1980, respectively.

NATIONAL CENTRAL FINANCIAL CORPORATION

Limitations on Dividend Payments and Restricted Net Assets

At December 31, 1981, retained earnings of up to $58,012,000 are available for the payment of dividends to shareholders of National Central Financial Corporation.

Certain consolidated subsidiaries of the Parent Company (NCFC) are subject to regulatory restrictions, which limits their ability to transfer net assets to NCFC without prior Regulatory approval. At December 31, 1981, these restricted net assets amounted to approximately $102,000,000.

Dividends which may be paid by Hamilton Bank to the Parent Company are limited to undistributed profits (retained earnings) of the Bank, which amounted to $36,665,000 at December 31, 1981.

NEW JERSEY NATIONAL CORPORATION

Long Term Debt

	December 31 1981	1980
Subordinated notes, due June 1, 1992	$20,000,000	$20,000,000
New Jersey Mortgage Finance Agency notes, due September 25, 1989	2,929,321	4,266,833
Student Loan Marketing Association note, due June 12, 1985	8,000,000	8,000,000
	$30,929,321	$32,266,833

The subordinated notes of $20 million due June 1, 1992 bear interest at 9%. Principal payments of $2,000,000 are required annually on June 1 in each of the years 1983 through 1991 with the balance due June 1, 1992. Interest is paid semi-annually. The notes are subordinated in right of payment to the claims of depositors and other creditors of the bank. The agreement contains usual convenants, including a restriction on the amount of dividends that may be declared of $5,000,000 plus 75% of the bank's net income from December 31, 1976 to the time of the dividend declaration less net acquisition of its own stock.

Under this covenant, retained earnings of approximately $8,664,000 are available for payment of dividends.

In addition, under the National Bank Act, the approval of the Comptroller of the Currency is required if dividends declared by the corporation's subsidiary bank in any year exceed the net profits of that year, as defined, combined with retained net profits for the two preceding years. At December 31, 1981 the bank could, without approval of the Comptroller of the Currency, declare dividends aggregating $3,332,000.

The notes due to the New Jersey Mortgage Finance Agency are payable annually in the average amount of approximately $680,000 (including interest), with the final maturity in 1989. Use of the proceeds from the loans is restricted to certain mortgage loans.

The Student Loan Marketing Association note due June 12, 1985 bears interest at a variable rate calculated quarterly based on the average bond equivalent auction yield of the thirteen week U.S. Treasury Bill. The applied interest rate as of December 31, 1981 was 13.42%. Proceeds of the loan are to be invested in new student loans over the term of the borrowing.

CROCKER NATIONAL CORPORATION

Equity Restrictions

Payments of dividends by the company to its shareholders

Pursuant to terms of the purchase agreement for the 8-3/4% debentures due 1997, the company may pay dividends to its shareholders and repurchase its capital stock only to the extent of consolidated net income subsequent to December 31, 1976, less dividends declared (exclusive of any gain or loss on sale of subsidiaries), plus proceeds from sale of capital stock or conversion of convertible securities, plus $40,000,000. Under these provisions, the amount available for payment of future dividends, at December 31, 1981, was $640,139,000.

CHAPTER 4

Management Reports

Summary

A "management report" is issued by management to affirm its responsibility for the financial statements. It may also include comments on related subjects such as the adequacy of internal controls and the roles of the audit committee and of the independent and internal auditors.

The inclusion of management reports in annual reports to shareholders arises primarily from recommendations of the Committee on Auditors Responsibility (Cohen Commission), the American Institute of Certified Public Accountants and the Financial Executives Institute (FEI).

In 1979, The Securities and Exchange Commission proposed that companies report on the adequacy of internal accounting controls. Although this proposal was withdrawn in 1980, the SEC continues to recommend voluntary reports. Among its recommendations are that management reports should:

1. Include an assessment of the internal control system.
2. Cover more than internal accounting controls, such as management's responsibility for the financial statements as recommended by the FEI.
3. Report as of a point-in-time, such as the fiscal year end, rather than the entire year.

One of the reasons the SEC decided not to adopt rules for public reporting on internal controls was the substantial increase in management reports presented in 1980 annual shareholders reports. Table 17 indicates that the percentage of survey companies that included management reports continued to increase from 1980 levels.

Table 17. Management Reports

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports in which a management report was:				
Included	34%	15%	58%	40%
Not included	66	85	42	60
	100%	100%	100%	100%

The SEC expects voluntary disclosure to continue to increase and expects companies and independent auditors to further develop means of monitoring and reporting on systems of internal control.

EXAMPLES: Management reports

BANKAMERICA CORPORATION

MANAGEMENT'S COMMENTARY ON FINANCIAL STATEMENTS--Management is responsible for the preparation and presentation of the consolidated financial statements of BankAmerica Corporation and the consolidated balance sheets of Bank of America NT&SA on the following pages. In the opinion of management, the information herein is fairly stated, and procedures are maintained to produce reliable accounting records, supported by a system of adequate internal controls. These procedures include formal delegations of authority; maintenance of a financial planning system; internal auditing and credit examination functions; a corporate code of conduct; quality standards in hiring and training of employees; emphasis on competence and integrity of personnel and accountability for performance; and issuance of standard practice manuals and guides. The financial accounting process, which encompasses data collection and report preparation, is governed by United States generally accepted accounting principles and the requirements of the Securities and Exchange Commission and banking regulatory agencies. The Board of Directors maintains an Auditing and Examining Committee of directors who are neither officers nor employees of the corporation. The committee periodically meets with management and with the internal and external auditors to assure that the financial accounting and audit process is properly conducted.

FOURTH FINANCIAL CORPORATION

Management is responsible for the content of the financial statements included in this annual report and the information contained in other sections of this annual report, which information is believed to be consistent with the content of the financial statements. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect, in all material respects, the substance of events and transactions that should be included. The financial statements reflect management's judgments and estimates as to the effects of events and transactions that are accounted for or disclosed.

Management has long recognized the importance of the Corporation's maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements fairly presenting the financial condition of the Corporation. In this regard, it has developed a system of internal accounting control which plays an important role in assisting management in fulfilling its responsibilities in preparing the Corporation's financial statements. The Corporation's system of internal accounting control is designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. This system is augmented by written policies and procedures and by an independent internal audit staff, which reports to the Audit Committee of the Board of Directors. Management recognizes that because of cost-benefit considerations and other inherent limitations on the effectiveness of any internal accounting control system, some errors and irregularities may occur. However, management believes that the Corporation's internal accounting control system provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected on a timely basis and corrected in the normal course of business.

The Audit Committee of the Board of Directors, composed entirely of outside Directors, has responsibility for the selection of independent certified public accountants for the Corporation. The Audit Committee reviews with the independent certified public accountants the scope of their audit and audit reports and meets with them on a scheduled basis to review their findings and any action to be taken thereon. In addition, the Committee meets with the internal auditors and with management to review the scope of the internal audit program and the performance and findings of the internal audit staff and any action to be taken by management. The independent certified public accountants and the internal auditors have free access to the Committee without management being present, as the Committee deems necessary.

The independent certified public accountants are engaged, in their annual audit function, to express an opinion on the Corporation's financial statements, which opinion is to be based on their performance of generally accepted auditing procedures believed by them to be sufficient to provide reasonable assurance that the financial statements included in this annual report are not materially misleading and do not contain material errors.

NATIONAL CITY CORPORATION

The Management of National City Corporation is responsible for the accompanying financial statements. The statements have been prepared in conformity with generally accepted accounting principles and necessarily include amounts which represent the best estimates and judgments of management. Other financial information in this report is consistent with that in the financial statements.

To meet this responsibility, management maintains a comprehensive system of internal accounting controls, evaluates it continually, and monitors compliance through an extensive program of internal audits. While no system can assure elimination of all errors and irregularities, the system has been designed to provide reasonable assurance that assets are safeguarded, policies and procedures are followed and transactions are properly executed and reported. In management's opinion, this system provides a basis for the preparation of reliable financial statements.

The Audit Committee, consisting entirely of outside directors, meets regularly with management, internal auditors and independent auditors and reviews audit plans and results as well as management's actions taken in discharging responsibilities for account-

(continued)

ing, financial reporting and internal controls. Ernst & Whinney, independent auditors, and the internal auditors have direct and confidential access to the Audit Committee at all times to discuss the results of their examinations.

THIRD NATIONAL CORPORATION

The accompanying financial statements of Third National Corporation and Subsidiaries, which include the consolidated balance sheets as of December 31, 1981 and 1980 and the consolidated statements of income, stockholders' equity and changes in financial position for the years ended December 31, 1981, 1980 and 1979, were prepared by management in conformance with generally accepted accounting principles appropriate in the circumstances.

The Management of the Corporation is responsible for the integrity and objectivity of the financial statements and, accordingly, include some amounts based upon estimates or judgment in the preparation of the financial statements. Other financial information in the Annual Report is consistent with the financial statements. The accounting plan and related system of internal controls are designed to provide reasonable assurance that the books and records reflect the transactions of the Corporation in accordance with written established policies and procedures as implemented by trained personnel. There are limits inherent in all systems of internal accounting control and management recognizes that errors or irregularities may occur. The concept of reasonable assurance is based on the costs being justified in relation to the benefits.

One of the written policies of the Corporation is its Code of Ethics, which establishes the basis for the actions and performance of its officers and employees.

The Board of Directors, through its various committees, including its Executive and Audit Committees, and senior management monitor the financial and accounting operations of the Corporation, including the review and discussion of periodic financial statements, the evaluation and adoption of budgets, and the basis of engagement and report of independent accountants. The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by the independent auditors.

The Audit Committee of the Board of Directors is composed of three nonofficer directors that meet formally several times a year. The Committee performs the following functions:

1. Reviews the overall plans of the independent and internal auditors.
2. Meets with independent and internal auditors to discuss various matters.
3. Reviews internal audit reports of any affiliate as prepared by the Internal Audit Department of the Corporation.
4. Reviews the audit results of the independent auditors and discusses the recommendations made by the independent auditors and the status of those recommendations within the Corporation.
5. Discusses with the independent auditors and the internal auditors the adequacy of the Corporation's accounting, financial and operating controls.
6. Makes reports to the Corporation's Board of Directors.

Ernst & Whinney, independent public accountants, have examined the financial statements, as detailed in the first paragraph of this Report by Management, of Third National Corporation and their unqualified report is included herein. The auditors were afforded an opportunity to present their opinions to the Audit Committee in the absence of management personnel with respect to the adequacy of internal controls, the quality of financial reporting, and the competency of the financial and accounting personnel of the Corporation and its subsidiaries.

PUGET SOUND BANCORP

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles and include, where necessary, amounts based on the best estimates and judgments of management. The primary responsibility for the integrity and objectivity of data in these financial statements rests with management. The other financial information in the Annual Report is consistent with that contained in the consolidated financial statements.

The consolidated financial statements for 1981 have been examined by Ernst & Whinney, Bancorp's independent certified public accountants. As part of their examination, Ernst & Whinney evaluated the system of internal accounting control to the extent they deemed necessary to determine their auditing procedures. Their audit would not necessarily disclose all internal accounting control weaknesses because of the limited purpose of their evaluation. And, although the scope of Ernst & Whinney's audit did not encompass a complete review of the overall system of internal accounting control, they reported that their procedures disclosed no conditions which they consider to be a material internal accounting control weakness at December 31, 1981.

Bancorp and its subsidiaries maintain internal accounting controls which are deemed adequate to provide reasonable assurance as to the reliability of financial records and the protection of assets. In establishing systems of internal control, management weighs the cost of such systems against the benefits that it believes can be derived. The Board of Directors monitors the internal control system through its Audit Committee. The membership of the committee is composed of directors who are not officers or employees of Bancorp. The independent accountants and internal auditors have free access to the Audit Committee, and they meet with the committee periodically, with and without financial management present, to discuss accounting, auditing, and financial reporting matters. In the opinion of the Audit Committee, the bank has a capable and aggressive internal audit department which serves as an integral part of the internal control system.

SOUTH CAROLINA NATIONAL CORPORATION

The consolidated financial statements of South Carolina National Corporation and other financial information presented in this annual report were prepared by management which is responsible for the integrity of the information presented. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include amounts that are based on management's best estimates and judgment.

The Company maintains accounting and control systems which are believed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce records adequate for preparation of financial information. Management recognizes the limits inherent in any system of internal control, as the cost of controls should not exceed the benefits derived. Management believes the Company's system provides an appropriate balance.

In order to monitor compliance with its system of controls, the Company carries out an extensive internal audit program. The program includes a review for compliance with written policies and procedures and a comprehensive review of the adequacy and effectiveness of control systems. Internal audit reports are issued to the Audit Committee of the Board of Directors. The independent auditors receive copies of internal audit reports, and the reports are available for review by Regulatory Authorities.

The Audit Committee of the Board of Directors, which is comprised solely of outside directors, meets regularly with management, internal auditors and the independent auditors to review audit scopes, audit reports, and fee arrangements of the independent auditors, in order to evaluate management's performance of its financial reporting responsibility. Both internal and independent auditors have access to the Audit Committee without any management present in the discussions. Independent auditors are recommended by the Audit Committee to the Board of Directors for selection and ratification by the stockholders.

Price Waterhouse, as independent auditors, is engaged to provide an objective, independent review as to management's discharge of its responsibilities relating to the fairness of reported operating results and financial condition. They have an understanding of South Carolina National Corporation's accounting and financial controls and conduct such tests and related procedures as they deem appropriate to arrive at an opinion on the fairness of financial statements. Their opinion is included as a part of this annual report.

The management of the Company is committed to, and has always maintained and enforced, a philosophy of high ethical standards in the conduct of its business. Written policies covering conflicts of interest, community affairs, and other subjects are formulated in a Code of Conduct, which is uniformly applicable to all officers and employees of the Company.

KEY BANKS INC.

The financial reports section of this integrated Annual Report and Form 10-K has been prepared and presented by management of Key Banks for use and evaluation by its readers.

Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles, that the principles selected are appropriate in the circumstances and have been consistently applied, that the financial statements reflect, in all material respects, the substance of events and transactions that should be included, and that the amounts contained in the financial statements are based on management's best estimates and judgment. Other supporting financial statistics and discussions have been presented in an effort to provide the reader with an insight into how management's perception of major events took place and how actions by management, competition, and regulation affected Key Banks in the current year under review.

Key Banks has developed, over a period of years, a system of internal accounting control which is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with appropriate Corporate authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures and is administered by an internal Corporate control staff that reports directly to the Audit Committee of the Board of Directors. Key Banks recognizes that systems in place do change, and although controls established for these systems are applied in a prudent manner, errors and irregularities may occur. However, Key Banks believes that its internal accounting report system provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected on a timely basis and corrected in the normal course of business.

The Audit Committee of the Board of Directors, which is comprised entirely of outside directors who are not officers or employees of Key Banks, was increased from three to four members this year so that they may devote more individual time to regional observation of proper control procedures in the system. As a committee they meet to evaluate internal audit, as well as the independent accountants' reports and findings as they progress throughout the year. The Committee also approves the guidelines under which the independent accountants may be engaged to perform non-audit services.

Management encourages you to read the report of the independent accountants, Ernst & Whinney.

CHAPTER 5

Management's Discussion and Analysis of Financial Condition and Results of Operations and Selected Financial Data

Management's discussion

The SEC requires that the annual report to shareholders include a "Management's Discussion and Analysis of Financial Condition and Results of Operations." The focus of management's discussion is the financial statements and, as described in Item 11 of Regulation S-K, should include the following:

A discussion centered on three specific areas: liquidity, capital resources (including debt, equity, and any off balance sheet financing arrangements), and results of operations. Within each area, emphasis is placed on discussing trends and significant events or uncertainties.

"Material changes" require discussion, with the focus of the discussion to include financial condition as well as the statement of income.

An explanation of the impact of inflation and changing prices (on revenues and income from continuing operations) is required for all companies, including those not required to present the disclosure specified by FASB Statement No. 33.

Presentation of forward-looking information is encouraged, but not required. Any forward-looking information supplied is covered by the SEC's safe harbor rule for projections.

Discussion of industry segment information may be included in management's discussion if, in the company's judgment, it is appropriate to an understanding of the business.

Eighty-two percent of the surveyed commercial banks and 100% of the surveyed holding companies included management's discussion and analysis in the shareholders report. Table 18 outlines specific topics covered by the discussion and the percentage of surveyed companies that discussed the item.

Table 18. Management's Discussion Topics

	Commercial Banks		Holding Companies	
	81	80	81	80
Financial condition	77%	92%	91%	97%
Results of operations	94	98	98	99
Liquidity	58	50	94	88
Effects of inflation	21	34	73	81
Interest rate sensitivity	48	56	88	80
Capital resources	68	44	94	86
Loan losses	76	80	87	90

Selected financial data

The SEC also requires a table of selected financial data that highlights significant trends in the company's financial condition and results of operations. The information must be given in a comparative format for five years (the SEC states that additional years are required if necessary to keep the information from being misleading). The information is required in annual shareholders reports and Form 10-K and, as described in Item 10 of Regulation S-K, should include:

Net revenues.

Income (loss) from continuing operations and the related per common share amounts.

Total assets.

Long-term obligations and redeemable preferred stock.

Cash dividends declared per common share.

Ninety-two percent (85% in 1980) of the surveyed commercial banks and 100% of the surveyed holding companies included selected financial data in the shareholders' report. Thirteen percent of the surveyed commercial banks and 24% of the surveyed holding companies presented selected financial data for more than five years.

The instructions state that other information to help understand the highlights and trends in financial condition and results of operations also could be included. Many banks and bank holding companies already include extensive analytical information and various financial ratios in their financial highlights section.

Federal bank regulations also require non-SEC registrant commercial banks issuing annual reports to shareholders to include in those reports, information similar to that required in the SEC's "management's discussion" and "table of selected financial data" sections. The federal bank regulators' rules for these sections generally are not as extensive nor as specific as the rules issued by the SEC. However, many commercial banks conform to the SEC's requirements.

Companies presenting supplementary information required by FASB Statement No. 33 are encouraged to combine those disclosures with the disclosure of selected financial data. The results of our survey of FASB Statement No. 33 disclosures in 1981 shareholders reports and examples of presentations of the required information are included in Chapter 6.

EXAMPLE Financial condition

NATIONAL CENTRAL FINANCIAL CORPORATION

Financial Condition

The Corporation's financial condition can be examined in terms of trends in its sources and uses of funds. An indication of how the Corporation has managed its sources and uses of funds is provided in the following comparison of daily average balances:

Sources and Uses of Funds Trends
(In Millions of Dollars)

	1981			1980			1979
	Average Balance	Increase (Decrease) Amount	Increase (Decrease) %	Average Balance	Increase (Decrease) Amount	Increase (Decrease) %	Average Balance
Funding Sources:							
Deposits and Funds Borrowed:							
Deposits:							
Demand	$ 263	$(28)	(9.6)%	$ 291	$(10)	(3.3)%	$ 301
NOW	44	44	100.0	0	0	0	0
Savings	249	(17)	(6.4)	266	(12)	(4.3)	278
Time	939	112	13.5	827	80	10.7	747
Total Deposits	1,495	111	8.0	1,384	58	4.4	1,326
Funds Borrowed	381	149	64.2	232	50	27.5	182
Total Deposits and Funds Borrowed	1,876	260	16.1	1,616	108	7.2	1,508
Other Liabilities	44	5	12.8	39	4	11.4	35
Shareholders' Equity	129	11	9.3	118	10	9.3	108
Total Sources	$2,049	$276	15.6%	$1,773	$122	7.4%	$1,651
Funding Uses:							
Interest Earning Assets:							
Loans:							
Commercial	$ 558	$ 56	11.2%	$ 502	$ 12	2.4%	$ 490
Commercial Mortgages	222	15	7.2	207	18	9.5	189
Residential Mortgages	239	19	8.6	220	11	5.3	209
Consumer Credit	215	(17)	(7.3)	232	10	4.5	222
Total Loans	1,234	73	6.3	1,161	51	4.6	1,110
Investment Securities	367	15	4.3	352	18	5.4	334
Trading Account Securities	9	(6)	(40.0)	15	7	87.5	8
Interest Bearing Deposits	86	51	145.7	35	21	150.0	14
Bankers' Acceptances and Commercial Paper	71	66	1320.0	5	5	100.0	0
Funds Sold	85	39	84.8	46	31	206.7	15
Other Interest Earning Assets	13	5	62.5	8	0	0	8
Total Interest Earning Assets	1,865	243	15.0	1,622	133	8.9	1,489
Other Assets	184	33	21.9	151	(11)	(6.8)	162
Total Uses	$2,049	$276	15.6%	$1,773	$122	7.4%	$1,651

The Corporation's primary sources of funds during the past two years were increased time deposits and short-term borrowings. Within the time deposit category, 26-week money market certificates increased by $134 million, or 50.2% during 1981 and by $179 million, or 203.4%, during 1980. The newly introduced All Saver certificates accounted for $13 million of the average annual increase in 1981. Decreases of $20 million (9.6%) and $58 million (21.7%) were scored in 1981 and 1980 respectively in the $100,000 and over certificate category. Other time deposit components declined by $15 million in 1981 and $41 million in 1980. Aggregate deposits increased by $111 million in 1981 and $58 million in 1980 or 8.0% and 4.4% respectively. Combined demand deposits and NOW accounts increased by $16 million in 1981 and decreased by $10 million in 1980. Savings deposits continued to decline--decreasing by $17 million in 1981 after a decrease of $12 million in 1980. These shifts were a continuation of the trend of depositors' placing more funds into interest bearing transaction accounts and seeking higher returns available on time deposits. Short-term borrowings were used primarily to support our asset/liability management program.

The Corporation's primary use of funds traditionally comes from loan demand experienced largely by its major wholly-owned subsidiary, Hamilton Bank. Total loans increased by $73 million, or 6.3%, in 1981 compared to $51 million, or 4.6%, in 1980. The greatest dollar growth during 1981 occurred in commercial loans, whereas commercial mortgage loans experienced the greatest dollar growth during 1980. Commercial loans also experienced significant growth during 1980. Bankers' acceptances are stated separately on the Sources and Uses of Funds Trends statement and are reported as money market investments in our financial statements this year. Prior to 1981 they were reported as loans. All prior year financial statement amounts have been reclassified to conform with the 1981 presentation. Loan policies formulated in connection with the Corpration's interest rate sensitivity management program and general economic conditions allowed for planned reductions in the level of consumer credit loans during 1981 and tended to restrict growth in this category during 1980.

Because of the asset/liability matching techniques employed by management during 1981, the major uses of funds during that year were for money market investments. Bankers' acceptances and commercial paper increased by $66 million, interest bearing deposits increased by $51 million and funds sold increased by $39 million. This total increase of $156 million amounted to 181.4% more than average outstandings in these categories during 1980. These same three categories increased by $57 million, or 196.6% in 1980.

Total investment securities increased by $15 million, or 4.3%, during 1981 and by $18 million, or 5.4% during 1980. The trend of reducing the level of investment in tax-free securities, which began in 1979, was continued during 1981. In addition to this, the corporation began to concentrate its new investments into short-term taxable securities having a remaining life of less than six months at the date of purchase. Accordingly, during 1981 taxable securities increased by $27 million, or 12.3%, while tax-free securities decreased by $12 million, or 9.1%. During 1980 taxable securities increased by $37 million, or 20%, while tax-free securities decreased by $19 million, or 13%. These transfers are part of management's overall plan to maintain a safe "corridor" between total pre-tax income and gross tax-free income while providing for some anticipated future tax-free loans. The desirability of accepting future floating rate tax-free loans continues to dictate the need to reduce fixed rate earning assets committed to other non-taxable sources. Reference should be made to the section on "Liquidity and Interest Rate Sensitivity Management" for an analysis of the shorter maturities in the securities portfolio.

Growth in average total assets was $276 million, or 15.6% in 1981 compared to $122 million, or 7.4% in 1980. The main contributors to this overall growth were:

	(In million of dollars)	
	1981	1980
Money Market Investments	$158	$ 57
Loans	71	51
Other	47	14
Total	$276	$122

ARLTRU BANCORPORATION

Financial Condition

During 1980 assets increased $107.8 million, or 19.5%; however, through a conscious effort, the change in assets was limited to an increase of $13.4 million or 2.0% in 1981. Net loan growth of $22.6 million took place primarily during the first quarter of the year as a backlog of mortgage commitments were disbursed. This followed a year in which loan growth had been $71.1 million, largely in consumer related mortgages and installment loans. Commercial loans were up $8.0 million in 1981 compared with an increase of $13.8 million for 1980. High interest rates throughout the year caused demand for loans, especially in the home mortgage area, to be below normal. With the constant change in regulations and, to date, the higher interests rates, the terms of loans during the past two years have passed some of the rate risk to the borrower.

Investments in securities and other short term interest bearing assets declined by $12.1 million in 1981, after an increase of $16.8 million in 1980. Proceeds from maturing securities were reinvested in either shorter term instruments or were funneled into more rate sensitive commercial loans. The increase in 1980 was largely in tax-exempt industrial revenue bonds for businesses located in our market area.

While it would appear from the balance sheet that the increase in assets was funded by an increase in demand deposits, such is not the case. Average demand deposits were up $3.2 million or about 25% of the increase. The primary sources of new funds continues to be six month money market certificates, and in 1981 the two and a half year small saver certificate on which the interest ceiling was lifted in August 1981. The introduction of the one year All Savers Certificate in October 1981 did generate balances of $11.4 million by year end 1981; however, approximately 65% of these funds were transfers from accounts within the Company. Certificates of Deposit, $100,000 and over, declined $13.7 million between statement dates due to the fact that interest rates were at their highest levels at December 31, 1980 and at their lowest levels of the year at December 31, 1981. However, these deposits continue to be a significant source of funding.

The increased use of short term repurchase agreements which the Company experienced in 1980 remained unchanged in 1981 and the Company continued to see a reduction of the outstanding retail repurchase agreement term certificates as customers converted their maturing certificates to deposits. The change of $6.7 million in 1981 matched that of 1980.

AUSTIN BANCSHARES CORPORATION

Financial Condition

Austin Bancshares Corporation's total assets reached the billion dollar milestone in 1981. Total assets on December 31, 1981 were $1,079,429,000 and average assets for the fourth quarter of 1981 were $1,013,067,000. The achievement of this banking landmark was primarily attained through excellent loan growth.

Average loans for 1981 were $435,685,000, a 20.1% increase over 1980 average loans. Rapid loan growth in the fourth quarter of 1981 placed year end loans at $533,893,000 or 39% ahead of total loans on December 31, 1980. The loan growth experienced in 1981 is a reflection of the strength of the Central Texas economy as well as a reflection of the Corporation's aggressive posture toward business development and market penetration.

Average earning assets increased $102,722,000 or 14.8% due to the loan increases. Holdings of investment securities were almost identical between 1980 and 1981, increasing only $524,000 in average. As illustrated in figure 1, loans have increased from 46.1% of average earning assets in 1976 to 54.9% in 1981 while investment holdings have declined in prominence from 46.6% in 1976 to 32.7% in 1981. Short-term investments such as Federal funds sold, bank time deposits and Eurodollar redeposits have increased their share of total earning assets. Short-term investments aid in managing rate sensitivity and matching the maturities of assets and liabilities. The favorable results of the change in earning asset mix has been improved liquidity and, in 1981, a better yield on earning assets.

Figure 1.
Average Earning Assets

	1981	1980	1979	1978	1977	1976
Loans and Leverage Leases	54.9%	52.4%	50.6%	50.1%	47.6%	46.1%
Investment Securities	32.7	37.3	42.4	45.2	49.7	46.6
Federal Funds Sold and Other Short-Term Investments	12.4	10.3	7.0	4.7	2.7	7.3
Aggregate amounts of average earnings assets (in millions)	$796	$693	$634	$550	$479	$423

Figure 2.
Average Deposits and Borrowed Funds
(in percent)

	1981	1980	1979	1978	1977	1976
Demand Deposits	26.7%	32.4%	31.9%	33.4%	35.9%	37.3%
Savings and NOW Deposits	10.3	7.5	9.1	11.6	13.8	12.2
C.D.'s and Other Time Deposits Federal Funds Purchased	49.7	46.5	47.2	44.9	39.0	42.0
Mortgage and Other Borrowed Funds	13.3	13.6	11.8	10.1	11.3	8.5
Amount of average deposits and borrowed funds (in millions)	$862	$759	$693	$593	$523	$469

The primary funding sources for the increased loans were certificates of deposit and purchased funds. Core deposits of savings, NOW accounts and demand deposits increased $15,925,000 or 5.3% from 1980 to 1981, while certificates of deposit and other time deposits over $100,000 increased $74,069,000 or 20.9% for the same period. C.D.s over $100,000 increased $34,120,000 or 26.3% and provided an important funding source for the loan growth. Total deposits averaged $746,559,000 in 1981, a 13.7% increase over the 1980 average of $656,565,000.

Federal funds purchased and other short-term borrowed funds increased 14.1% in average from 1980 to 1981. The rapid loan growth of the fourth quarter of 1981 resulted in an increase of $64,940,000 in short-term borrowed funds from year end 1980 to year end 1981 and an increase of $74,119,000 from September 30, 1981 to December 31, 1981.

Short-term borrowings, along with investment maturities, will continue to fund loan growth until deposit growth can keep pace with loan increases. A large portion of the short-term borrowings increase was used to pre-fund investment maturities to take advantage of higher yields available in October of 1981. The increase in short-term investments also occurred as a result of the growth in borrowed funds, and these investments were also purchased to take advantage of high yielding returns.

In terms of rate sensitivity and asset/liability management, the short-term borrowed funds provide a good match with the predominantly tied-to-base rate loans. The sensitivity chart (figure 3) describes the composition of Corporate earning assets and supporting funds on December 31, 1981. The philosophy of management in regard to interest sensitivity or asset/liability management is to produce the highest possible net interest margin as well as to negate the effects of interest fluctuations on the net interest margin.

Fig. 3 Interest Sensitivity

As of 12/31/81 (In Thousands)

	Immediate	1-30 days	31-60 days	61-90 days	91-180 days	181 days 1 year	Over 1 year	Net Non-interest bearing liabilities	Total
Earning Assets:									
Bank time deposits	$ -	$ 10,900	$17,525	$ 17,725	$ 5,950	$ 7,000	$ -	$ -	$ 59,100
Loans	306,964	26,510	7,010	6,593	14,337	4,396	168,083	-	533,893
Investments	-	12,084	15,242	27,516	52,082	34,396	144,513	-	285,833
Short-term funds invested	6,585	4,200	-	-	-	-	-	-	10,785
Other earning assets	-	-	-	-	-	-	1,524	-	1,524
Total earning assets	$313,549	$ 53,694	$39,777	$ 51,834	$ 72,369	$ 45,792	$314,120	$ -	$891,135
Funds to Support Earning Assets:									
Interest bearing individual, partnership and corporate deposits	$ 13,729	$ 87,019	$35,595	$ 42,213	$ 83,300	$ 23,885	$121,203	$ -	$406,944
Public deposits	1,550	94,919	8,884	32,548	18,343	200	-	-	156,444
Short-term borrowed funds	144,837	20,321	-	-	-	-	-	-	165,158
Mortgage payable	-	-	-	-	-	-	11,122	-	11,122
Non-interest bearing liabilities	-	-	-	-	-	-	-	151,467	151,467
Total funds to support earning assets	$160,116	$ 202,259	$44,479	$ 74,761	$101,643	$ 24,085	$132,325	$ 151,467	$891,135
GAP per period	$153,433	$(148,565)	$(4,702)	$(22,927)	$(29,274)	$ 21,707	$181,795	$(151,467)	
Cumulative GAP	153,433	4,868	166	(22,761	(52,035)	(30,328)	151,467	-	
Cumulative Ratio									
Interest-sensitive assets/ liabilities	1.96%	1.01%	1.00%	.95%	.91%	.95%			

A notable point of information also provided by the interest sensitivity chart is the fact that 49.4% of the investment portfolio matures within one year. This percentage is an indication of improved liquidity in the investment portfolio as the percentage of securities maturing within one year on December 31, 1980 was 34.7%. The shorter term of investments also provides a better rate sensitivity match with the public fund liabilities on which 80% of the investments are pledged.

(continued)

The asset quality of Austin Bancshares remains extremely high. The analysis of loan losses in figure 4 shows that net charge-offs for 1981 were $320,000 or .07% of average loans, a low ratio by industry standards. A further indication of loan quality is the fact that only $292,000 or .05% of total loans at year end were past due more than ninety days or on nonaccrual status. This low non-performing loan amount compares very favorably to the total of $612,000 in non-performing loans on December 31, 1980. The provision for loan losses increased by $786,000 or 141% over 1980 in order to provide the proper allowance in light of the dramatic loan growth. The allowance for loan losses was .92% of year end 1981 loans, an adequate allowance considering the non-performing loan totals and the fact that the year end 1981 allowance is 15.34 times the net charge-off total for 1981.

The market value of investment securities remains at approximately 88% of book value and the municipal security holdings comprise the majority of the market/book variance. The Corporation has the ability to hold these securities until maturity but will continue to take advantage of opportunities to improve the investment yield and valuation.

Fig. 4 Analysis of the Allowance for Loan Losses (In Thousands)

	1981	1980	1979	1978	1977	1976
Loans outstanding at year end	$533,893	$384,042	$360,568	$301,872	$248,062	$209.853
Daily loan average for the year	$435,685	$362,793	$318,638	$274,024	$226,602	$193,[illegible]6
Balance of allowance for loan losses at beginning of year	$ 3,886	$ 3,505	$ 3,056	$ 2,666	$ 2,510	$ 2,306
Loans charged off	(603)	(506)	(571)	(642)	(688)	(788)
Recoveries of charged off loans	283	331	515	341	196	400
Net loans charged off	(320)	(175)	(56)	(301)	(492)	(388)
Provision charged to operations expense	1,342	556	505	691	648	592
Balance at year end	$ 4,908	$ 3,886	$ 3,505	$ 3,056	$ 2,666	$ 2,510
As a percent of average loans:						
Net charge offs	.07%	.05%	.02%	.11%	.22%	.20%
Provision for loan losses	.31	.15	.16	.25	.29	.31
Allowance for loan losses at year end	1.13	1.07	1.10	1.12	1.18	1.30
Allowance as a percent of loans at December 31	.92	1.01	.97	1.01	1.07	1.20
Allowance as a multiple of net charge offs	15.34x	22.21x	62.59x	10.15x	5.42x	6.47x

BANCOKLAHOMA CORP.

Results of Operations

Income before securities transactions increased 49% during 1981; net income grew 41% during the year. Comparable increases for 1980 were 26% and 27%, respectively. This earnings growth resulted from substantial increases in net interest revenue and other operating revenue, partially offset by operating expense increases.

Changes in Income Per Share
Before Securities Transactions

	1981	1980	1979
Income before securities transactions for prior year	$1.66	$1.31	$1.11
Increase (decrease) attributable to:			
Net interest revenue (taxable equivalent)	1.53	1.22	.91
Other operating revenue	.70	.53	.27
Provision for loan losses	(.05)	.10	.23
Other operating expense	(.78)	(1.19)	(1.00)
Federal and state income taxes (taxable equivalent)	(.61)	(.31)	(.21)
Net increase	.79	.35	.20
Income before securities transactions	$2.45	$1.66	$1.31

Net Interest Revenue

Taxable equivalent net interest revenue for 1981 was $49.4 million, 16% higher than 1980's level. During 1980, taxable equivalent net interest revenue increased 14.5%. Interest-related asset and liability volumes grew substantially during both of the past two years. These volume increases, described previously in this analysis, were the principal reason for the Corporation's net interest revenue growth. However, better interest rate margins, primarily during 1980, also contributed to the higher net interest revenue levels.

Interest-sensitive asset and liability rates remained high throughout 1981 as market rates of interest reached record levels. Earning asset yields in 1981 of 17.00% were 268 basis points higher than comparable 1980 rates. Yields for 1980, in turn, were 173 basis points above 1979. Liability interest rates also have increased, growing from 10.20% and 12.01% in 1979 and 1980 to 14.88% during 1981. Both the levels of money market interest rates and the movement of customer funds from lower to higher yielding instruments contributed to this growth in interest cost.

Based purely on the differential between yields earned and rates paid, the Corporation's interest margins have declined during both of the past two years, falling from 2.39% in 1979 to 2.31% in 1980 and 2.12% this past year. However, the ratio of net interest revenue to earning assets, which incorporates all funds sources and uses into the measurement of yield, has increased. The 1981 ratio was 5.31% following ratios of 5.07% in 1980 and 4.79% in 1979. The upward trend reflects volume growth, an appropriate interest-sensitive asset/liability mix, a stable core deposit base and declining levels of nonperforming assets.

The table of tax equivalent basis data provides a summary of the past three years' earning assets and supporting funds sources, including average balances, revenue or expense, and yields earned or rates paid. The volume/rate analysis analyzes the yearly change in interest revenue or expense categories, quantifying the impact on each category of changes in its volume and rate components.

As discussed previously, the provision for loan losses during 1981 totaled $3.8 million, approximately $200 thousand above that of 1980. Net interest revenue after provision for loan losses was $37.7 million, up 16% from 1980. In 1980, net interest revenue after that year's provision was $32.4 million, an 18% increase above 1979.

(continued)

Earning Assets/Sources of Funds/Net Interest Revenue--Taxable Equivalent Basis
(Dollars in Thousands)

	1981			1980			1979		
	Average Balance	Interest Rev/Exp	Yield/ Rate	Average Balance	Interest Rev/Exp	Yield/ Rate	Average Balance	Interest Rev/Exp	Yield/ Rate
Earning Assets:									
Investment securities	$179,260	$ 22,288	12.43%	$158,718	$ 17,506	11.03%	$143,546	$15,120	10.53%
Trading securities	4,645	630	13.56	2,649	361	13.63	3,927	336	8.56
Loans, net of reserve	711,789	129,507	18.19	626,468	95,235	15.20	585,726	77,517	13.23
Funds sold	35,949	5,930	16.50	52,228	7,203	13.79	42,254	4,694	11.11
Total earning assets	$931,643	158,355	17.00	$840,063	120,305	14.32	$775,453	97,667	12.59
Sources of funds:									
Transaction deposits	$ 27,012	1,298	4.81	$ -	-	-	$ -	-	-
Time deposits	488,249	71,984	14.74	435,758	49,934	11.46	431,345	42,002	9.74
Short term borrowings	201,196	32,475	16.14	190,913	24,420	12.79	141,534	15,635	11.05
Term debt	15,548	3,167	20.37	20,000	3,334	16.67	20,000	2,823	14.12
Interest bearing sources	732,005	108,924	14.88	646,671	77,688	12.01	592,879	60,460	10.20
Demand deposits	358,042	-	-	339,507	-	-	308,525	-	-
Cash and due from banks	(202,610)	-	-	(187,870)	-	-	(165,971)	-	-
Other sources, net	44,206	-	-	41,755	-	-	40,020		
Total sources of funds	$931,643	108,924	11.69	$840,063	77,688	9.25	$775,453	60,460	7.80
Net interest revenue		$ 49,431	2.12		$ 42,617	2.31		$37,207	2.39
Net interest revenue to earning assets			5.31			5.07			4.79

Volume/Rate Analysis--Taxable Equivalent Basis
(Dollars in Thousands)

	Change From Prior Year		1981 Change From 1980 Due To		1980 Change From 1979 Due To	
	1981	1980	Volume	Rate	Volume	Rate
Interest revenue:						
Investment securities	$ 4,782	$ 2,386	$ 2,414	$ 2,368	$ 1,646	$ 740
Trading securities	269	25	271	(2)	(132)	157
Loans	34,272	17,718	14,021	20,251	5,641	12,077
Funds sold	(1,273)	2,509	(2,518)	1,245	1,241	1,268
Total	38,050	22,638	14,188	23,862	8,396	14,242
Interest expense:						
Transaction deposits	1,298	-	1,298	-	-	-
Time deposits	22,050	7,932	6,531	15,519	434	7,498
Short term borrowings	8,055	8,785	1,369	6,686	6,053	2,732
Term debt	(167)	511	(825)	658	-	511
Total	31,236	17,228	8,373	22,863	6,487	10,741
Net interest revenue	$ 6,814	$ 5,410	$ 5,815	$ 999	$ 1,909	$ 3,501

Other Operating Revenue and Expense
(dollars in millions)

	1981	1980	1979	1978	1977
Other Operating Revenue	12.5	9.4	7.1	5.9	5.5
Other Operating Expense	37.8	34.3	29.0	24.6	21.8

Other Operating Revenue

Other operating revenue grew 33% in 1981, the same growth rate experienced in 1980. Trading account profits increased in excess of 40% during both 1981 and 1980. Trust fees and deposit service charges continue to show substantial increases in response to both pricing changes and transaction volume growth. Additionally, the initiation of bank card fees in 1980 generated over $500 thousand that year and almost $1 million in 1981. The Corporation will continue to pursue new opportunities for fee revenues through intelligent pricing of services and development of new sources of non-interest revenue.

Other Operating Revenue
(Dollars in Thousands)

	Year Ended			Change From Prior Year			
				1981		1980	
	1981	1980	1979	Amount	Percent	Amount	Percent
Trading account profits	$ 2,100	$1,480	$1,035	$ 620	41.9%	$ 445	43.0%
Bank card fees	965	512	-	453	88.5	512	-
Service charges and fees on deposit accounts	3,133	2,426	1,460	707	29.1	966	66.2
Trust fees and commissions	4,683	3,597	2,946	1,086	30.2	651	22.1
Other revenue	1,667	1,425	1,637	242	17.0	(212)	(13.0)
Total	$12,548	$9,440	$7,078	$3,108	32.9	$2,362	33.4

Other Operating Expense

During 1981, total expenses grew 10%, down from an 18% increase in 1980. Salary costs have grown rapidly, up 19% from 1980 compared to a 13% growth from 1979 to 1980. These increases have been necessary to compensate personnel competitively and provide adequate staff levels. At this year end, full-time equivalent staff numbered 837, up 7% this year after declines in each of the previous two years. Benefit costs grew 12% this year following an 18% increase in 1980.

The balance of other operating expenses in 1981 was held to a 4% growth rate compared to a 22% increase during the prior year. Occupancy cost increased at a 3% rate over the past two years while professional fees were reduced in both 1980 and 1981. Business promotion, primarily advertising costs, increased substantially in 1981; this emphasis on promotion will continue in 1982. Other expenses of $11 million were flat in 1981 following a $3.2 million increase in 1980.

Other Operating Expense
(Dollars in Thousands)

	Year Ended			Change From Prior Year			
				1981		1980	
	1981	1980	1979	Amount	Percent	Amount	Percent
Salaries	$15,698	$13,158	$11,645	$2,540	19.3%	$1,513	13.0%
Employee benefits	2,483	2,223	1,889	260	11.7	334	17.7
Net occupancy	4,097	3,985	3,866	112	2.8	119	3.1
Business promotion	2,558	1,737	1,613	821	47.3	124	7.7
Professional fees and services	1,915	2,002	2,015	(87)	(4.3)	(13)	(.6)
Other expense	11,024	11,185	8,004	(161)	(1.4)	3,181	39.7
Total	$37,775	$34,290	$29,032	$3,485	10.2	$5,258	18.1

RETURN ON AVERAGE SHAREHOLDERS' EQUITY AND AVERAGE ASSETS

	1981	1980	1979	1978	1977
Return on average shareholders' equity	15.1%	11.1%	9.5%	8.3%	7.7%
Return on average assets	.92%	.69%	.59%	.56%	.54%

Securities Transactions

During 1981, the Corporation realized $526 thousand in securities losses in restructuring the securities portfolio to improve its yield and maturity profile. Securities portfolio transactions resulted in a gain of $29 thousand in 1980.

(continued)

Income Taxes

Income taxes for the year ended December 31, 1981, amounted to $1.6 million, or 12% of the Corporation's consolidated income before taxes and securities transactions, as compared with $251 thousand, or 3% of its 1980 consolidated pretax income.

Operating Ratios

Two commonly used measures of performance are return on assets and return on equity, based on income before securities transactions. For BancOklahoma Corp., return on assets increased to .92% last year from .69% in 1980. Similarly, return on equity in 1981 was 15.06% compared to 11.14% in 1980. The corporate goals are 1% on assets and 16% on equity; management plans to make further progress toward these targets in 1982.

NEW JERSEY NATIONAL CORPORATION

Results of Operations

Changes in interest income and expense, by major category, along with approximations of the amounts of change attributable to rate and volume fluctuations, are shown in Table III. Net interest income on a tax equivalent basis increased 29.2% in 1981 following a moderate decline of 2.2% in 1980.

Interest income increased $21.8 million in 1981 and $14.7 million in 1980. The 1981 increase was attributable to a 284 basis point rise in the average rate earned, the effect of which was partially offset by a 6.5% reduction in average earning asset balances.

Loan interest rose $13.4 million in 1981 primarily because of sharply higher rates on commercial loans. Income derived from deposits with other banks more than doubled in 1981 with a gain of $14.7 million, as average rates earned jumped 247 basis points and average balances were up $66.6 million. Tempering these increases, income from investment securities dropped $5.4 million in 1981 as lower average balances resulting from other 1981 and 1980 sales of securities more than offset the effect of higher yields. As in 1981, the 1980 increase in interest income was primarily in two categories, loans and deposits with other banks, and was partly offset by reduced income on investment securities.

Interest expense rose $9.8 million in 1981 and $15.6 million in 1980. The 1981 increase resulted largely from a $19.1 million aggregate rise in interest paid on commercial certificates of deposit and money market instruments, as both rates paid and deposit balances were significantly higher. Partly offsetting these increases, interest paid on foreign time deposits and Federal funds purchased and securities sold under repurchase agreements dropped $11.0 million on a combined basis in 1981, as sharply lower balances more than offset the effect of higher rates. The increase in 1980 resulted mostly from a substantial increase in domestic time deposits and sharply higher rates paid.

TABLE III
Net Interest Income Analysis on a Taxable Equivalent Basis
(000 omitted)

	1981 vs. 1980			1980 vs. 1979		
	Volume Increase (Decrease)	Rate Increase (Decrease)	Net Increase (Decrease)	Volume Increase (Decrease)	Rate Increase (Decrease)	Net Increase (Decrease)
Interest and Fees Earned:						
Commercial Loans	$ 6,299	$ 5,914	$12,213	$ 1,861	$ 4,063	$ 5,924
Construction Loans	(235)	602	367	(1,271)	181	(1,090)
Mortgage Loans	(2,495)	2,183	(312)	(240)	(282)	(522)
Consumer Loans	(3,858)	5,036	1,178	(1,334)	1,282	(52)
Total Loans	(289)	13,735	13,446	(984)	5,244	4,260
U.S. Government Obligations	(7,924)	4,843	(3,081)	(1,660)	833	(827)
State and Political Subdivisions	(3,158)	525	(2,633)	(2,383)	103	(2,280)
Other Securities	64	226	290	(58)	41	(17)
Total Securities	(11,018)	5,594	(5,424)	(4,101)	977	(3,124)
Federal Funds Sold and Securities Purchased Under Resale Agreements	(941)	(20)	(961)	943	143	1,086
Deposits with Banks	10,403	4,326	14,729	12,369	78	12,447
Total Earning Assets	(1,845)	23,635	21,790	8,227	6,442	14,669
Interest Paid:						
Savings Deposits	(1,726)	-	(1,726)	(3,208)	(123)	(3,331)
Commerical Certificates of Deposit	7,516	1,346	8,862	2,631	1,371	4,002
Money Market Instruments	6,842	3,378	10,220	9,872	1,629	11,501
Other Time Deposit Accounts	211	1,464	1,675	801	778	1,579
Foreign Time Deposits	(4,170)	228	(3,942)	1,213	636	1,849
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	(11,107)	4,045	(7,062)	(3,499)	3,421	(78)
Short-Term Borrowings	(1,643)	2,784	1,141	1,027	(1,000)	27
Long-Term Debt	214	387	601	(215)	248	33
Total Interest Expense	(3,863)	13,632	9,769	8,622	6,960	15,582
Net Interest Income	$ 2,018	$10,003	$12,021	$ (395)	$ (518)	$ (913)

NOTE: The change in interest due to mix has been allocated to change due to volume and change due to rate in proportion to the relationship of the absolute dollar amounts of the change in each.

The provision for loan losses was increased $770,222 in 1981 reflecting increased levels of commercial loans and the general outlook for the economy. The reserve for loan losses equaled 1.11% of loans outstanding at year-end, compared to 1.13% a year earlier. The 1980 provision had declined $161,337, because of the reduced size of the loan portfolio in that year.

Non-interest income increased $1.9 million in 1981 following a rise of $916,325 in 1980. The 1981 increase included a gain of $414,169 on the sale of other real estate and fixed assets, notably the bank's former operations center.

Non-interest expense rose $7.2 million in 1981 and $1.7 million in 1980. The 1981 expense reflected increases of $1.3 million in other real estate writedowns, $600,897 in advertising costs and $698,265 in mortgage servicing fees.

EXAMPLES Liquidity

CENTRAN CORPORATION

Liquidity--1981

In 1981 the Corporation put in place three major programs to improve liquidity. First, emphasis was placed on developing local sources of core deposits to reduce reliance on purchase certificates of deposit from the major money market centers. Second, the Corporation withdrew from the commercial paper market in favor of borrowing under a more stable, revolving credit agreement. Third, investment securities were sold to reduce the amount of short-term borrowed funds and also to improve the balance between fixed-rate assets and fixed-rate liabilities.

Core deposits at affiliated banks continue to be the major source of funds of the Corporation. These deposits include demand deposits, savings and NOW deposits, and retail time deposits under $100,000. Changes in the composition of these deposits in 1980 and 1981 are given in Schedule I.

Schedule I

	Core Deposits				
	At December 31, 1981	1981 Daily Average	At December 31, 1980	1980 Daily Average	At December 31, 1979
	(in millions of dollars)				
Demand Deposits	$ 564	$ 710	$ 820	$ 829	$ 899
NOW Deposits	85	70	25	-0-	-0-
Savings Deposits	381	396	436	441	450
Retail Time Deposits under $100,000	632	590	543	463	415
Total Core Deposits	$1,662	$1,766	$1,824	$1,733	$1,764

The drop in demand deposits of $256 million from December 31, 1980, to December 31, 1981, included a $175 million reduction for official checks outstanding in 1980 relating to purchases of overnight Eurodollar deposits. On October 1, 1981, a same-day settlement system of processing these checks was instituted nationally. As a result, there were no such checks outstanding at year-end 1981. The balance of the drop in demand deposits reflects a continuing trend by both corporate and individual depositors to move such noninterest-bearing funds into more profitable forms of deposits because of the high interest rates available.

Savings deposits continued to decline, as higher interest rates also attracted these funds. However, NOW account deposits, introduced in December 1980, grew sufficiently to offset this decline.

Retail time deposits, or certificates of deposit under $100,000, grew steadily in 1981 as part of the corporate strategy to reduce reliance on large certificates of deposit (over $100,000) and short-term borrowed funds. Several new products were introduced to assist this plan. Money market certificates continue to be the dominant product in this category of deposits, averaging $381 million in 1981 versus $243 million in 1980.

In addition to the emphasis on retail certificates of deposit, the Corporation reduced its reliance on large certificates of deposit and also moved from selling these deposits through brokers in money center markets to sales in the local market. This change not only reduced the cost of these funds, but also improved their stability.

As part of the effort to further improve the stability of funding sources, the Corporation during 1981 moved to eliminate its dependence on commercial paper. In June, 1981, the Corporation replaced a $35 million revolving credit facility with a $135 million Revolving Credit Agreement with a group of eight major banks led by The Morgan Guaranty Trust Company of New York. At December 31, 1981, advances under the agreement totaled $123.5 million. Proceeds were used in the fourth quarter of 1981 by the parent to pay off all commercial paper outstanding.

The non-bank affiliates are not currently making new loans, and three of them are in liquidation. It is expected that the cash flow from loan repayments by customers of the affiliates will be sufficient in 1982 not only to meet the $7.1 million installment on unsecured promissory notes (long-term debt) due April 5, 1982, but also to reduce funds advanced under the Revolving Credit Agreement.

Short-term borrowed funds totaled $801 million at December 31, 1980, and were reduced to $570 million at December 31, 1981. This reduction of $231 million is approximately equal to the reduction in investment securities over the same period.

Sinking fund payments under the 7.85% debentures due May 15, 1997, begin in 1982 at an annual rate of $900,000. During 1980, the Corporation repurchased $4,160,000 of these debentures, which will be sufficient to meet annual sinking-fund payments through 1985.

From December 31, 1980, to December 31, 1981, investment securities were reduced through some maturities but primarily through sales as discussed under "Securities Transactions." The reduction totaled $226 million. Of this amount, $136.8 million represented securities maturing in over one year and through five years. Securities maturing over five years and through ten years dropped $51.8 million, while maturities over ten years were down $9.2 million.

At December 31, 1980, the Corporation had an estimated one-year "gap" of $428 million. At that time, assets with interest rates that would not change within one year or that would not mature within one year, exceeded liabilities and capital with interest rates that would not change or that would not mature within one year by the $428 million. Because of the program to sell fixed-rate investment securities in 1981 and use the proceeds to pay off short-term liabilities, this one year gap at December 31, 1981, was reduced to approximately $344 million. The reduction of fixed-rate assets is not the only factor affecting the gap. The composition and maturities of the various types of liabilities are constantly changing. The Corporation will continue its efforts to reach a near-balance in its gap position to reduce vulnerability to interest-rate gyrations.

FIRST TULSA BANCORPORATION, INC.

Liquidity

Various sources of liquidity are available to meet the needs of both deposit and credit customers. Most funding needs are supplied by the acquisition of liabilities such as large certificates of deposit, money market certificates, federal funds purchased, and other short-term borrowings. Contingency funds are available through the $36,000,000 of lines of credit certain banks have extended to the Company. Limited liquidity is available in the securities portfolio because a large portion of the portfolio can only be sold at a loss due to the existing high interest rate environment.

The Company has not experienced any liquidity problems during the past several years. Earning asset growth has been funded through increased large certificates of deposit, short-term borrowings, and earnings retention. Back-up lines of credit have not been used for liquidity purposes.

The Company will continue to rely upon the same funding sources in the future. Although the Company has experienced a decrease in savings and small time deposits over the past few years, these funds have been replaced by money market certificates. This trend is expected to continue in the future as our deposits shift into more rate-sensitive deposit instruments. This shift is part of a structural change in the financial system being experienced by most banks and thrift institutions. Additional liquidity will be provided through the maturing of portions of the securities portfolio. Approximately $35,850,000 of investment securities will mature during 1982.

FIRST CHICAGO CORPORATION

Liquidity

The Corporation has traditionally viewed liquidity quite simply as the ability to meet present and future financial obligations, either through the sale or maturity of existing assets or by the acquisition of additional funds through liability management. Therefore, both the coordination of asset and liability maturities and effective liabilities management are important to the maintenance of liquidity.

Monitoring asset maturities on a daily basis and coordinating these funds flows with other funding requirements is the responsibility of position managers in Chicago and other installations worldwide. The tables below show a condensed view of the maturity data available to position managers for the Corporation's principal asset categories, securities and loans.

As of December 31, 1981, investment debt securities had the following maturity and yield characteristics (dollars in thousands):

	U.S. Government and Federal Agency			States and Political Subdivisions*			Other Bonds, Notes and Debentures		
	Book Value	Market Value	Yield	Book Value	Market Value	Yield	Book Value	Market Value	Yield
Maturing in one year	$ 10,143	$ 9,577	7.32%	$ 16,430	$ 16,018	9.74%	$ 63,265	$ 62,968	10.72%
Maturing after one but within five years	101,053	93,263	9.81	70,000	54,884	9.20	71,779	69,082	7.96
Maturing after five but within ten years	259,858	217,060	9.72	156,257	97,170	10.00	12,124	11,497	10.55
Maturing after ten years	269,432	182,948	9.15	276,367	146,141	11.63	8,570	7,614	8.31
	$640,486	$502,848	9.45%	$519,054	$314,213	10.75%	$155,738	$151,161	9.30%

*Yields for obligations of states and political subdivisions are calculated on a tax equivalent basis using a tax rate of 46%.

	December 31, 1981		
Maturity Distribution of Loans* (In Thousands)	One Year or Less**	One to Five Years	Over Five Years
Domestic			
Commercial	$ 4,020,018	$1,588,260	$ 635,049
Secured by real estate	759,878	771,006	333,711
Financial institutions	1,019,406	484,478	140,479
Other	1,281,071	244,923	70,669
Total domestic	$ 7,080,373	$3,088,667	$1,179,908
Foreign	3,761,312	2,430,076	744,314
Total loans	$10,841,685	$5,518,743	$1,924,222

*Excludes domestic consumer and residential mortgage loans totaling $1,946,837.

**Includes demand loans.

For the modern money center bank, the main emphasis must be placed on the liability management function, since such a bank's liquidity is principally determined by its continuing ability to access money markets on a global basis. This is particularly true for First Chicago, which operates under state laws that prohibit branch banking and therefore diminish somewhat the ability to obtain consumer deposits.

Deposits/Average Balances (In Thousands)	1981	1980	1979
Domestic			
Demand deposits	$ 2,897,000	$ 2,769,000	$ 2,582,000
Savings and time deposits	1,959,000	1,899,000	1,917,000
Time certificates of deposit over $100,000	5,248,000	3,675,000	3,717,000
Total domestic	$10,104,000	$ 8,343,000	$ 8,216,000
Overseas branches and subsidiaries	12,060,000	12,144,000	9,466,000
Total deposits	$22,164,000	$20,487,000	$17,682,000

Domestic time certificates of deposits of $100,000 and over, at December 31, had maturities as follows (in thousands):

	1981	1980	1979
Less than three months	$5,318,923	$3,319,681	$2,672,187
Three to six months	790,270	626,152	689,465
Seven to twelve months	286,982	126,062	190,765
Over one year	224,379	399,781	195,507
Total	$6,620,554	$4,471,676	$3,747,924

As a result, the Corporation and the Bank must maintain ready access to money markets worldwide. Maintenance of this access depends in part on financial condition, making the Corporation's traditional capital strength an important factor. It also depends in part on reputation, and the Bank's 118-year history as an innovative and profitable institution has been the foundation of its good reputation in financial markets. And, continued access to money markets depends on careful day-to-day management by experienced market professionals.

The expansion of the Corporation's efforts in marketing its own liability instruments continued in 1981. These activities have been guided by the objectives of careful maturity management, diversification of funds sources, and ongoing relationship management. To ensure the achievement of these objectives, the Corporation's funding activities were reorganized in 1981. The financial markets division has responsibility for domestic and principal Eurodollar market funding operations, and the international treasury division manages other offshore operations. A new management structure was put in place to ensure greater coordination of these activities in increasingly integrated markets, and marketing staffs were increased. To meet new customer requirements in ever-changing markets, new product opportunities have been pursued aggressively, including such innovations as deposits denominated in special drawing rights (SDR's), in which the Corporation is a market leader. This overall commitment to professionalism in the marketing of liability products has built a strong foundation of liquidity for the Corporation.

EXAMPLES Interest rate sensitivity

BANK SOUTH CORPORATION

Interest Sensitivity

Bank South actively manages rate sensitive assets and rate sensitive liabilities to reduce the impact of interest rate fluctuation on the net interest margin. The focal point of this activity is an asset/liability management committee consisting of senior management personnel from the key functional areas of the company. The committee reviews performance and develops strategies. Because of the extreme

(continued)

volatility in interest rates in recent years, management generally attempts to maintain a balance between rate sensitive assets and rate sensitive liabilities as the exposure period is lengthened. This strategy minimizes the overall interest rate risk to the company. Within the framework of this general objective, management may engage in selective maturity mismatches to take advantage of opportunities to improve spreads. At the end of 1981, Bank South was better positioned for a rate increase in the 1-90 day period, but was approximately balanced over the longer time horizons. Table 4 presents Bank South's interest rate exposure as of December 31, 1981.

Cumulative Maturity/Rate Sensitivity at December 31, 1981

Table 4	1-30 Days	1-60 Days	1-90 Days	1-180 Days	1-365 Days
			Thousands of Dollars		
Rate Sensitive Assets:					
Loans	$291,627	$294,879	$298,544	$304,488	$306,842
Investments	40,802	49,066	51,063	63,195	69,669
Short-term investments	174,456	176,074	185,536	200,878	200,878
Total	506,885	520,019	535,143	568,561	577,389
Rate Sensitive Liabilities:					
CD's $100,000 or more	65,693	85,935	104,112	135,673	138,255
Foreign	8,517	12,595	13,782	14,281	14,281
Other time deposits	31,608	52,672	71,846	118,676	150,140
Short-term borrowings	263,612	270,810	272,015	273,895	273,895
Total	369,430	422,012	461,755	542,525	576,571
Cumulative Maturity/ Rate Sensitivity Gap	$137,455	$ 98,007	$ 73,388	$ 26,036	$ 818
Gap/Earning Assets	13.63%	9.72%	7.28%	2.58%	.08%

AMERITRUST CORPORATION

Interest Rate Sensitivity

Interest rate sensitive assets and liabilities are those for which the yields or interest rates change and will be responsive to existing market rates within a future time period. The rate sensitivity position is indicated by the volume of rate sensitive assets less rate sensitive liabilities. The difference is generally termed the rate sensitivity gap. The nature of the rate sensitivity gap indicates how future interest rate changes may affect net interest income. A positive gap, for example, would generally have an unfavorable impact when interest rates decline, as more assets than liabilities would be repriced at lower interest rates. When using the interest rate sensitivity position for forecasting, other variables that affect net income, including a constantly changing balance sheet should also be considered.

As of December 31, 1981 the rate sensitive position based on a one year period is shown in the accompanying table. It provides a measure of the overall structure of interest rate sensitive assets and liabilities within the time period. At year end, the rate sensitive liabilities exceeded the rate sensitive assets by $31 million. This negative gap is 0.7 percent of total earning assets and represents a relatively balanced position. Both rate sensitive assets and liabilities were lower compared with the end of the prior year, and the negative gap increased by $22 million. The lower volume of assets relative to the prior year was due to a decrease in rate sensitive loans. The volume of assets relative to the prior year was due to a decrease in rate sensitive loans. The volume of liabilities declined with reductions in purchased funds and large certificates of deposit, but was partially offset by growth in the volume of six-month money market certificates and time deposits in the foreign banking office.

At AmeriTrust, management employs measurement systems that quantify the rate sensitivity of assets and liabilities for time intervals of less than one year. While the interest sensitivity of assets and liabilities is well balanced in the one year interval, there are larger interest sensitivity gaps in the shorter time periods. The systems allow frequent review of interest sensitive relationships within the shorter time periods and assist management in the identification of alternatives to improve prospects for earnings. It is management's policy to limit the possible negative impact on net interest income by reducing exposure to potential risks associated with changing interest rates.

Interest Rate Sensitivity
Assets and Liabilities--Rate Sensitive within One Year
(dollars in millions)

December 31	1981	1980	Change
Assets			
Loans maturing within one year*	$1,048	$1,084	$ (36)
Rate sensitive loans*	578	765	(187)
International time deposits	381	348	33
Securities due within one year	127	111	16
Federal funds sold	85	29	56
	2,219	2,337	(118)
Liabilities			
Money market certificates	767	593	174
Time-Certificates of deposit of $100,000 or more	547	675	(128)
Purchased funds and other borrowings	461	781	(320)
Time-In foreign banking office	424	243	181
Other time deposits of $100,000 or more	51	54	(3)
	2,250	2,346	(96)
Rate sensitivity gap	$ (31)	$ (9)	$ (22)
Percent of earning assets	(0.7)%	(0.2)%	

*Excludes consumer and 1 to 4 family residential loans

SUBURBAN BANCORP

Liquidity and Interest Rate Risk Management

One function of asset-liability management is to insure adequate liquidity to fund loan commitments, deposit withdrawals, and maturing liabilities, as well as provide sufficient funds to take advantage of economically attractive loans, investments, or other uses of funds.

Bancorp has excellent liquidity. Loans to deposits were 66% in 1981 on average, and at year-end. Of the $453.0 million in investment securities, $227.1 million or 50% matures within one year. As shown in Table 11, reliance on certificates of deposit in excess of $100,000 was less than $100 million, and less than 7.3% of total year-end deposits. Any other means of examining Suburban's liquidity, would also evidence its strength, such as our lack of reliance on a net Federal funds borrowed position.

Closely intertwined with liquidity management is interest rate risk management. If, over any given period of time, a financial institution has the opportunity to reprice as many assets as it does liabilities, it would possess a zero gap between rate-sensitive assets and liabilities. Over a six-month term, Bancorp has maintained a negligible gap between rate-sensitive assets and liabilities.

If measured over shorter or longer maturities, a similar negligible gap would exist. Bancorp has taken the posture of maintaining a potentially balanced position in a full range of maturities, after factoring in forecasted data on the changing mix of deposits, such as the run-off of savings accounts replaced by higher-yielding deposits and other sources of funds.

Another perspective on rate risk can be taken by examining the data in the Statements of Average Balances, Interest, and Average Rates. There, it is indicated that while $361 million in low, relatively fixed-rate mortgages existed in 1981, those mortgages were more than adequately funded by $786 million in low-cost deposits (demand, NOW, and savings), with the excess of these deposits being used to fund other fixed rate loans and investments.

To insure future acceptable interest rate risk, approximately fifty percent of six-month money market certificates have been matched with investments of similar maturities.

(continued)

The maturities and interest rate sensitivity of selected loan categories are detailed in Table 10.

Table 10--Loan Maturity & Interest Rate Sensitivity

The following table displays the maturity distribution and interest sensitivity of Bancorp's loan portfolio (excluding consumer loans and loans secured by 1-4 family residential properties) at December 31, 1981 (in thousands):

Maturity of Loans	Remaining Maturity			
	One Year or Less(1)	Over One to Five Years	Over Five Years	Total
Commercial and industrial loans	$114,390	$30,813	$ 8,737	$153,940
Lease financing--net	853	8,985	17,959	27,797
Real estate loans:				
Construction and land development	37,635	9,106	-	46,741
Other loans secured by real estate	39,920	40,509	24,665	105,094
Other loans	9,834	2,932	1,203	13,969
Total	$202,632	$92,345	$52,564	$347,541
Interest Rate Sensitivity of Loans				
Total amount of above loans with:				
Fixed interest rates	$ 65,985	$61,002	$45,526	$172,513
Variable interest rates(2)	136,647	31,343	7,038	175,028
	$202,632	$92,345	$52,564	$347,541

(1) Includes demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts.

(2) The variable interest rate loans generally fluctuate according to a formula based on the prime rate.

Table 11--Certificates of Deposit in Excess of $100,000--Maturity Distribution

The following table provides the maturities of time certificates of deposit of Bancorp in amounts of $100,000 or more:

	1981	1980	1979	1978	1977
Maturing in:					
3 months or less	$82,501	$81,269	$ 84,715	$ 68,873	$49,091
Over 3 months through 6 months	8,424	5,327	24,890	22,811	17,665
Over 6 months through 12 months	1,780	571	5,990	8,296	5,373
Over 12 months	1,135	914	1,560	1,870	2,534
Total	$93,840	$88,081	$117,155	$101,850	$74,663

EXAMPLES Capital resources

EQUITABLE BANCORPORATION

Capital Resources

For the three years ended December 31, 1981, the Company did not enter into any transactions that required significant external financing arrangements. During this period, the Company's principal source of capital was retained earnings. Net increases in equity capital through retained earnings amounted to $6.9 million in 1981, $6.0 million in 1980, and $10.6 million in 1979.

Table 10 shows that stockholders' equity increased to a ratio of 6.56% of total asset at December 31, 1981. This is the highest year-end equity capital ratio since the Company's formation in 1972.

Table 11 displays quarterly market and dividend information for each of the past two years.

Summary of Stockholders' Equity
(thousands, except percentages)

Table 10

	1981	1980	1979	1978	1977
Balance at beginning of year	$131,494	$125,497	$114,932	$104,807	$ 93,983
Net income for the year	9,965	9,361	13,186	12,608	12,716[1]
Cash dividends paid	(3,112)	(2,984)	(2,621)	(2,111)	(1,537)
Treasury stock purchased	(94)	(380)		(392)	(355)
Stock options exercised	117			20	
Balance at end of year	$138,370	$131,494	$125,497	$114,932	$104,807
Book value per share at year end[2]	$ 33.34	$ 31.71	$ 30.06	$ 27.52	$ 24.96
Market value per share at year end[3]	19.00	12.62	13.83	12.74	15.78
Market value as a percentage of book value at year end	56.99%	39.79%	46.01%	46.30%	63.22%
Cash dividends as a percentage of net income	31.23	31.88	19.88	16.74	12.09
Stockholders' equity as a percentage of year-end:					
Total assets	6.56	6.36	6.16	5.91	6.15
Total loans	10.57	10.20	9.09	8.99	9.48
Total deposits	7.94	7.53	7.12	6.88	7.04

[1] Includes cumulative effect of change in accounting method of (thousands) $2,174.

[2] Based on outstanding shares at year end adjusted retroactively for subsequent stock dividends.

[3] Based on closing bid prices on the Over-the-Counter Markets adjusted retroactively for all subsequent stock dividends.

Market and Dividend Information

Table 11

Year	Quarter	High	Low	Close	Dividends Per Share	Dividends Amount (thousands)
1981	4th	$26.00[1]	$17.50	$19.00	$.19	$ 789
	3rd	20.50	17.75	18.00	.19	788
	2nd	22.50	17.75	19.75	.19	785
	1st	16.90	12.14	16.90	.19	750
						$3,112
1980	4th	$14.05	$12.14	$12.62	$.19	$ 754
	3rd	13.81	12.38	13.81	.19	754
	2nd	13.57	10.48	12.86	.19	756
	1st	14.74	10.89	11.11	.19	720
						$2,984

[1] Price on November 27, 1981 pending announcement of Exchange Offer. Based on the bid prices of Equitable Bancorporation Common Stock on the Over-the-Counter Markets, adjusted for 5% stock dividend paid on May 16, 1980 and 5% stock dividend paid on May 15, 1981.

FIRST NATIONAL CHARTER CORPORATION

Liquidity and Capital Resources

The Corporation closely monitors the liquidity of its affiliate banks on a monthly basis in order to ensure an ample flow of funds to meet immediate cash withdrawal requirements, funding of loan commitments and letters of credit and other short-term credit needs of our customers. Many factors affect how successful the Corporation is in meeting its liquidity objectives, including the economic environment of its service area, asset and liability mix, as well as the Corporation's overall reputation and credit standing. Historically, the Corporation and its affiliate banks have been able to maintain more than sufficient liquidity to meet their commitments. Because of the stability of the economy of Missouri and the excellent credit rating and reputation of the Corporation and its affiliate banks, it should continue to maintain sufficient liquidity for the foreseeable future. Several types of assets provide liquidity, with short-term investment securities and maturing loans being the principal sources. For a comparison of maturing assets and liabilities, see the accompanying table "Asset and Liability Maturities and Interest Rate Sensitivity".

The Corporation's principal source of capital is generated through retained earnings. For 1981, $11.4 million or 61.7% of earnings were retained and added

(continued)

to the capital of the Corporation. The Corporation has other sources of capital through its capacity to issue intermediate or long-term debt. During 1980 the Corporation did issue $25.0 million of intermediate debt due in 1987. The Corporation's ratio of stockholders' equity to total assets at year-end 1981 was 7.0%, well above its peer group average and substantially above other larger regional and money center institutions. At December 31, 1981, the Corporation did not have any material commitments for capital expenditures.

HIBERNIA CORPORATION

Capital Adequacy

There are a number of measures of capital adequacy used in the industry including some recently developed by bank regulatory agencies. Hibernia's Management considers capital to be the cornerstone for future asset and profit expansion. Measurement of adequacy is a complex issue; however, the financial plan focuses on two methods of monitoring capital--growth of capital equals or exceeds growth of assets and an approximation of industry norm for companies of similar size. Both of these precepts have been achieved.

Hibernia's leverage ratio--a commonly used concept for expressing the relationship between the level of average assets and the level of average equity--has improved over the last five years, and it approximates the industry average. The leverage ratio also has a functional relationship to the primary profitability measures of return on assets (R.O.A.) and return on equity (R.O.E.) as shown below:

	R.O.A.	X	Leverage	=	R.O.E.
1981	1.19%		17.16x		20.4%
1980	1.12%		17.41x		19.5%
1979	1.05%		17.62x		18.5%
1978	.86%		19.42x		16.7%
1977	.69%		20.43x		14.1%
1976	.67%		19.85x		13.3%

Growth of equity capital for Hibernia stems from two primary sources: retention of earnings and issuance of new common stock. During the last five years, Hibernia increased equity capital by $31.5 million, of which $26.5 million was supplied by retention of earnings and $5.0 million by newly issued common stock.

Capital Expenditures

Hibernia has planned approximately $9 million for capital improvements to facilities, systems and equipment during 1982. Major items include: renovation of an office building in downtown New Orleans acquired for use as headquarters for the Bank's operations and data processing activities; branch office and other facility improvements; as well as the continued upgrading of key data processing systems. These improvements will be financed through retention of earnings and core deposit growth, in line with Management's financial philosophies.

CHEMICAL NEW YORK CORPORATION

Capital

Chemical's capital funds, consisting of long-term debt, redeemable preferred stock and stockholders' equity, totaled $2.1 billion at the 1981 year-end, an increase of $123.2 million or 6.3% over year-end 1980. This reflects a rise of $132.9 million from earnings retained from operations before the extraordinary gain; an advance of $5.2 million from the issuance of common stock under the dividend reinvestment plan; and reductions of $12.4 million from sinking fund payments on long-term debt and $2.5 million in accumulated translation adjustment. The extraordinary gain was realized on the exchange of common stock for debentures and therefore had no effect on total capital.

A bank's capital adequacy cannot be evaluated solely in terms of total capital or related ratios. A more comprehensive indication of financial strength is management's ability to produce consistent earnings growth throughout various swings of the economic cycle. This growth is a function of market penetration, the general economic climate, and-in the current environment of high interest rates-the use of policies and procedures to control risks from credit activities and the mix of asset and liability maturities. Adequate pricing policies with respect to loans and other services and control over noninterest expenses are other key elements in generating earnings.

Over the past five years, Chemical's earnings advanced at a compound rate of 18.7%. While a substantial portion of the increase was generated by greater volumes of earning assets, improvement in interest rate sensitivity and credit risk management were important factors. Return on assets, a measure of efficiency and profitability increased to .51% in 1981, from .46% in 1980 and .37% in 1977.

Another aspect of adequacy and maintenance of capital is the retention of earnings after payment of dividends. Chemical's earnings retention in 1981 rose to 66.4% of net income, from 65.8% in 1980 and 53.5% in 1977. Accordingly, the internal growth rate, a measure of earnings retained as a percentage of stockholders' equity in 1981 increased to 10.21% compared with 9.30% in 1980 and 5.65% in 1977.

As a result of the improvement in the internal growth rate and an emphasis on the control of asset growth, the ratio of capital to assets remained relatively stable at 4.75% in 1981, versus 4.88% in 1980 and 5.20% in 1977. This ratio was affected adversely by debt retirements and management's decision not to replace or augment capital through public offerings in the current high cost environment.

In contrast to the capital to assets ratio, the average equity to assets ratio, including redeemable preferred stock in 1981, was 3.40%, an improvement from the 3.25% in 1980 and the 3.35% in 1977. Excluding the redeemable preferred stock, the ratio was 3.29% compared with 3.23% last year and 3.35% in 1977. Again, earnings growth was the primary factor in bolstering this key indicator of financial strength. Other contributing factors were the conversion of convertible debt to equity, the issuance of redeemable preferred stock in November 1980, and the exchange, late in 1981, of equity for outstanding sinking fund debentures. By year-end, this ratio, including the redeemable preferred, had increased to 3.45% from 3.30% at the beginning of the year. The same year-end ratio without the redeemable preferred was 3.34% in 1981, up from 3.18% at last year-end.

Management believes that the recent growth in earnings and improvement in key operating ratios, such as return on assets and equity as well as equity to assets, allows financial flexibility to meet future needs. As Chemical's banking activities expand, and market conditions warrant, capital will be augmented through the issuance of long-term debt and equity.

In February 1982, Chemical and Florida National Banks of Florida, Inc. entered into a definitive agreement to merge when interstate banking becomes permissible.

EXAMPLE Loan losses

FIRST INTERSTATE BANCORP

Credit Risk Management:

Strong expense control combined with a conservative approach to chargeoffs and the provision for credit losses, plus relatively minor reliance on foreign sources and minor exposure to major industrial problem credits, indicates the quality of the corporation's earnings and assets remains high.

Net loan chargeoffs in 1981 were equal to 0.47% of average loans, which represents an improvement from the 0.54% of 1980 when rapid growth of the consumer portfolio slowed, and the associated losses, which tend to lag growth, caught up. In 1979, the ratio was 0.29%.

In the commercial sector of the loan portfolio, losses of $40.7 million, or 0.56% of average "C&I" loans, compare to $34.0 million, or 0.55%, in 1980. There was a significant improvement in the consumer sector where the ratio improved to 1.09% from 1.42%.

SUMMARY OF LOAN LOSS EXPERIENCE (millions)	Year ended December 31				
	1981	1980	1979	1978	1977
Average amount of loans outstanding	$19,090	$17,073	$15,940	$13,751	$11,485
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of year	$ 229.2	$ 216.8	$ 166.0	$ 121.6	$ 107.0
Provision for the year	120.2	104.4	97.3	78.1	57.7
	$ 349.4	$ 321.2	$ 263.3	$ 199.7	$ 164.7
Deduct:					
Loans charged off:					
Commercial, financial and agricultural	$ 55.0	$ 50.5	$ 29.2	$ 27.5	$ 40.3
Real estate:					
Construction	0.9	0.6	0.1	2.2	2.6
Mortgage	0.3	0.1	2.3	0.2	2.8
Instalment	52.4	63.7	34.8	25.0	15.0
Foreign	6.2	4.0	7.1	3.9	1.2
	$ 114.8	$ 118.9	$ 73.5	$ 58.8	$ 61.9
Less recoveries of loans previously charged off:					
Commercial, financial and agricultural	$ 14.3	$ 16.5	$ 18.7	$ 19.7	$ 14.3
Real estate:					
Construction	0.3	0.4	0.1	-	0.1
Mortgage	-	-	1.4	0.1	0.2
Instalment	10.3	9.0	6.4	4.9	3.9
Foreign	1.1	1.0	0.4	0.4	0.3
	$ 26.0	$ 26.9	$ 27.0	$ 25.1	$ 18.8
Net loans charged off	$ 88.8	$ 92.0	$ 46.5	$ 33.7	$ 43.1
Balance at end of year	$ 260.6	$ 229.2	$ 216.8	$ 166.0	$ 121.6
Ratio of net loans charged off during the year to average amount of loans outstanding	0.47%	0.54%	0.29%	0.24%	0.38%

Net of unearned discount

(continued)

AMOUNTS (millions)	Net Loans Charged Off					Ratio to Average Loans				
	1981	1980	1979	1978	1977	1981	1980	1979	1978	1977
Commercial, financial and agricultural	$40.7	$34.0	$10.5	$ 7.8	$26.1	0.56%	0.55%	0.17%	0.14%	0.53%
Real estate:										
Construction	0.6	0.2	-	2.2	2.5	0.03	0.01	-	0.18	0.31
Mortgage	0.3	0.1	0.9	0.1	2.5	0.01	-	0.02	-	0.10
Instalment	42.1	54.7	28.4	20.1	11.1	1.09	1.42	0.80	0.73	0.53
Foreign	5.1	3.0	6.7	3.5	0.9	0.31	0.23	0.56	0.26	0.08
TOTAL	$88.8	$92.0	$46.5	$33.7	$43.1	0.47%	0.54%	0.29%	0.24%	0.38%

Allowance for Loan Losses:

At December 31, 1981, the allowance for loan losses was $261 million, equal to 1.24% of loans. This is one basis point lower than the 1.25% at December 31, 1980. (The ratio at yearend 1980 has been restated to reflect a reclassification of certain assets. Before reclassification, the ratio was 1.28%.) The ratio at yearend 1979 was 1.27% (before reclassification).

Approximately half of the allowance for loan losses at year end 1981 was allocated to specific categories. The remainder is considered appropriate for unpredictable risks and uncertainties which could result from adverse changes in economic conditions and from types of credits for which there is little or no experience in appraising or forecasting potential loss.

The evaluation of the loan portfolio includes review procedures by experienced lending officers that require the assignment of a loss probability to any loan criticized by an internal loan review department or by internal or external examiners. Loss probabilities also are assigned to other large loans and a statistical loss probability is assigned to consumer and 1-4 family residential loans. Approximately 70% of the dollar value of the loan portfolio is reviewed in this manner.

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES (millions)	Allowance Amount December 31					Ratio of Allowance Amount to Outstanding Loan Amount December 31				
	1981	1980	1979	1978	1977	1981	1980	1979	1978	1977
Commercial	$ 50.6	$ 38.3	$ 30.9	$ 25.0	$ 31.1	0.61%	0.56%	0.50%	0.45%	0.62%
Real estate construction	10.7	4.8	1.8	0.4	3.2	0.49	0.27	0.11	0.03	0.31
Real estate mortgage	1.0	1.0	1.0	0.9	0.8	0.02	0.02	0.03	0.02	0.03
Instalment	55.2	55.4	43.1	22.1	16.0	1.34	1.45	1.03	0.68	0.64
Foreign	20.2	21.8	20.4	17.2	5.3	0.93	1.63	1.40	1.11	0.32
Unallocated allowance	122.9	107.9	119.6	100.4	65.2					
TOTAL	$260.6	$229.2	$216.8	$166.0	$121.6	1.24%	1.28%	1.27%	1.11%	0.95%

HUNTINGTON BANCSHARES INCORPORATED

Provision for Loan Losses

The 1981 provision for loan losses was $8,684,000, or 29.9% greater than the 1980 level. The allowance for loan losses grew 11.6% to $17,195,000 at December 31, 1981 and represented 1.02% of period-end loans, which was the same percentage reported in 1980.

Net loan losses increased 18.8% in 1981 compared to 1980. As a percentage of total loans, net loan losses of $6,940,000 were .44% as opposed to .42% for the preceding year. Although net losses on consumer loans declined somewhat since 1980, net losses on commercial loans increased. The adequacy of the allowance for loan losses is monitored by management through its internal loan review system. Important statistics that assist management are net loan losses, non-performing loans, past due loans and projections of future losses and economic conditions. The Huntington National Bank's internal loan review system also has provided early identification of potential problem loans and assisted in minimizing losses.

Non-Performing Assets

Non-accrual loans at the end of 1981 were $15,212,000, compared to $6,170,000 at year-end 1980. The increase from 1980 included the addition of one large credit totaling approximately $3.3 million and several smaller loans. Non-accrual loans, as a percentage of period-end total loans, were .90% as of December 31, 1981 and .40% at December 31, 1980.

The Bank stops accruing interest on commercial loans when interest or principal are past due for 90 days or more. Exceptions to this policy will be made if the loan is adequately collateralized and in the process of collection. When loans are placed on a non-accrual status, management reviews the loans considering such factors as collateral and financial condition of the customer. Liquidation of collateral often causes some loans to remain on a non-accrual status for prolonged periods of time. The estimated income lost on non-accrual loans in 1981 amounted to approximately $2.1 million.

As of December 31, 1981, other real estate totaled $8,159,000 compared to $5,667,000 at December 31,, 1980. The increase in other real estate was brought about largely by the addition of a foreclosed property valued at $2.3 million. These amounts consist of the lower of the loan amount or the appraised value of properties acquired upon foreclosure. The large increase in the balance of reduced rate loans from 1980 was due to the restructuring of a $5 million loan to International Harvester Credit Corporation.

Net Loan Losses By Category (in thousands of dollars)	1981	1980	1979
Commercial	$ 3,132	$ 1,253	$ 300
Real estate	100	28	20
Consumer	3,708	4,560	4,159
Total Net Loan Losses	$ 6,940	$ 5,841	$4,479

Non-Performing Assets (Year-End) (in thousands of dollars)	1981	1980	1979
Non-accrual loans	$15,212	$ 6,170	$2,762
Reduced rate loans	5,070	130	70
Other real estate	8,159	5,667	5,865
Total Non-Performing Assets	$28,441	$11,967	$8,697

CONTINENTAL ILLINOIS CORPORATION

Non-Performing Loans and Credit Losses Reflect Economic Conditions

Non-performing loans and lease financing receivables include cash-basis credits, on which interest is recorded only when received, and renegotiated credits, on which the terms have been restructured to provide for the reduction or deferral of interest or principal payments, primarily to accomodate the weakened financial condition of borrowers.

Non-performing credits and their effect on earnings in the aggregate reflect the economic conditions prevailing during a year, and periodic variations must be expected. As a result of high interest rate levels and an economic slowdown in 1981, non-performing credits of $653 million represented 1.9 per cent of total loans and lease receivables outstanding at year-end, compared with $444 million or 1.6 per cent at year-end 1980. Before the cyclic rise in 1981, non-performing credits declined steadily from $705 million or 5.7 per cent of the total loan and lease portfolio reported at year-end 1975, amid a severe economic slump.

Reserve for Credit Losses (In millions)

	1981	1980	1979	1978	1977
Net charge offs	71.1	61.4	49.1	41.4	52.3
Provision	120.0	96.0	70.0	62.5	53.8
Reserve at year end	289.1	246.4	212.1	191.2	168.1

Non-Performing Credits
(As Percentage of Total Credits at Year-End)

1981	1980	1979	1978	1977
1.9	1.6	1.9	2.2	3.6

(continued)

The following table provides a summary of the loan and lease financing portfolio by category, with related credit loss and non-performing data ($ in millions):

	December 31, 1981			1981			1977-1981
	Balance	Non-performing	Non-performing credit percentage	Net credit losses	Average balance	Net credit losses (a)	Average net credit loss percentage (a)
Loans:							
Domestic:							
Commercial and industrial loans	$12,862	$187	1.45%	$34	$10,741	0.31%	0.18%
Mortgage and real estate loans	3,957	293	7.40	2	3,713	0.05	0.36
Loans to financial institutions (b)	2,633	50	1.89	(1)	2,409	-	0.30
Loans for purchasing or carrying securities	212	-	-	(1)	336	-	-
Consumer installment loans	1,588	9	0.56	23	1,447	1.58	1.73
All other loans	878	27	3.07	5	1,002	0.49	0.26
Total	22,130	566	2.55	62	19,648	0.31	0.34
Foreign	10,046	71	0.70	8	9,078	0.08	0.10
Total loans	32,176	637	1.97	70	28,726	0.24	0.26
Lease financing receivables	1,123	16	1.42	1	842	0.11	0.03
Total loans and lease financing receivables	$33,299	$653	1.96%	$71	$29,568	0.24%	0.26%
Less: Unearned income	423	-	-	-	304	-	-
Total loans and lease financing receivables (net)	$32,876	$653	1.98%	$71	$29,264	0.24%	0.26%

(a) As a percentage of average balance.
(b) Includes loans to real estate investment trusts.

The following table shows worldwide non-performing credits by component. The $209 million increase in non-performing loans and lease receivables during 1981 reflects the generally sluggish economic conditions which must be expected periodically within the normal business cycle.

Non-Performing Loans and Lease Financing Receivables ($ in millions)	December 31 1981	1980	1979	1978	1977
Cash-basis loans and lease receivables:					
Mortgage and real estate	$252	$169	$235	$192	$276
All other loans (a)	295	232	160	131	180
Lease receivables	16	20	24	16	-
Total cash basis	563	421	419	339	456
Renegotiated loans and lease receivables:					
Mortgage and real estate	$ 49	$ 21	$ -	$ -	$ 1
All other loans (a)	41	2	27	75	90
Lease receivables	-	-	-	-	-
Total renegotiated	90	23	27	75	91
Total	$653	$444	$446	$414	$547

(a) Includes loans to real estate investment trusts.

($ in millions, except per-share data)	1981 Cash-basis	Renegotiated	Total	1980 Cash-basis	Renegotiated	Total
Interest income that would have been recorded at the original rate for the year ended December 31	$ 107	$ 3	$ 110	$ 56	$ 5	$ 61
Interest income that was recorded for the year ended December 31	24	-	24	21	1	22
Lost interest income for the year ended December 31 (pre-tax)	$ 83	$ 3	$ 86	$ 35	$ 4	$ 39
Lost interest income for the year ended December 31 (after-tax)	$ 42	$ 2	$ 44	$ 18	$ 2	$ 20
Per-share impact (after-tax)	$1.08	$0.04	$1.12	$0.45	$0.05	$0.50

As shown in the table above, the computed loss of after-tax income associated with non-performing credits totaled $44 million in 1981. The increase in the computed loss was caused by an increase in principal and the higher interest rates prevailing in 1981, partially offset by an increase in interest received.

In 1981 net credit losses increased 15.8 per cent to $71.1 million from 1980, amid a downturn in the American economy. Recoveries on loans previously charged off totaled $21.1 million in 1981 and significantly reduced losses. Despite the higher dollar amount charged off, net credit losses remained 0.24 per cent of average loans and lease financing receivables, unchanged from last year's level. While the aggregate percentage relationship was below the five-year average, data in the table at the top of page 23 show that there has been no consistent historical loss pattern for individual loan categories. Net credit card losses again declined, to $18.7 million on $651 million average loan volume in this area, compared with $25 million on $663 million average volume in 1980.

Reserve for Credit Losses Increased

As in the past, the 1981 provision for credit losses exceeded net credit losses for the year, continuing the expansion of the reserve to a level appropriate to the expanded volume of credit. The net addition to the reserve for credit losses was $42.7 million in 1981, compared with $34 million in 1980 and almost $21 million in 1979. The reserve for credit losses of $289.1 million equaled 0.87 per cent of total credits at year-end, compared with $246.4 million or 0.89 per cent at the close of 1980.

Management considers the reserve for credit losses adequate to absorb potential losses, based on the quality of credits in the portfolio, past experience, and economic prospects in the U.S. and abroad. Review of loans and leases is a thorough and continuous process, with special attention given to any problem credits.

Although the table on page 52 shows an allocation of the reserve for credit losses for the past five years, the entire reserve is available for any loan which might be charged off.

Reconcilements of the consolidated reserve for credit losses and of that portion of the reserve allocated to foreign operations for the past three years may be found in Note 5 to the financial statements.

EXAMPLES Selected financial data

DOMINION BANKSHARES CORPORATION

Five-Year Financial Summary

The summary below highlights selected financial data and presents key performance measures of Dominion Bankshares Corporation for the past five years. The discussion and Financial Statements which follow provide a detailed explanation of Dominion's financial condition and results of operations. All per share data have been adjusted to reflect the 5% stock dividend declared September 24, 1981.

Table 2
Selected Financial Data
Balance Sheet Summary (In Thousands of Dollars)

	1981	1980	1979	1978	1977
Loans, net of unearned income	$1,559,397	$1,442,832	$1,449,443	$1,355,481	$1,190,012
Investment securities	447,222	514,895	419,113	366,321	414,323
Assets	2,731,681	2,525,876	2,324,348	2,124,070	1,926,188
Deposits	2,138,018	2,009,528	1,882,842	1,776,916	1,640,980
Short-term debt	332,910	283,753	221,754	149,680	103,975
Long-term debt	49,959	50,584	56,519	52,466	53,281
Stockholders' equity	167,851	152,996	139,505	125,055	112,782

Summary of Operations (In Thousand of Dollars)

	1981	1980	1979	1978	1977
Interest income:					
Loans	$ 209,562	$ 178,331	$ 157,325	$ 129,372	$ 104,171
Securities	41,458	36,969	25,660	21,274	23,689
Other	52,218	21,162	15,198	9,021	4,939
Total interest income	303,238	236,462	198,183	159,667	132,799
Interest expense:					
Deposits	157,187	114,147	85,278	66,657	55,768
Debt	52,000	33,304	23,538	14,314	11,354
Total interest expense	209,187	147,451	108,816	80,971	67,122
Net interest income	94,051	89,011	89,367	78,696	65,677
Provision for credit losses	5,342	5,142	7,918	7,169	3,894
Net interest income after provision for credit losses	88,709	83,869	81,449	71,527	61,783
Noninterest income	27,227	20,662	17,349	13,475	11,209
Noninterest expense	92,902	82,616	74,438	65,433	58,031
Income before taxes and securities transactions	23,034	21,915	24,360	19,569	14,961
Applicable income taxes (benefit)	322	(334)	2,502	760	(729)
Income before securities (losses)	22,712	22,249	21,858	18,809	15,690
Securities gains (losses) net of taxes	(858)	(2,012)	(1,220)	(577)	(156)
Net income	$ 21,854	$ 20,237	$ 20,638	$ 18,232	$ 15,534

(In Thousands of Dollars)	1981	1980	1979	1978	1977
Per Share Data					
Income before securities gains (losses)	$ 2.62	$ 2.60	$ 2.59	$ 2.23	$ 1.87
Net income	$ 2.52	$ 2.37	$ 2.44	$ 2.16	$ 1.85
Cash dividends	$ .96	$ .95	$ .87	$ .72	$ .64
Stock dividends	5%	-	10%	-	-
Book value at year-end	$ 19.28	$ 17.82	$ 16.45	$ 14.87	$ 13.25
Selected Ratios					
Return on average assets	.89%	.95%	1.01%	.94%	.86%
Return on average equity	14.4	15.3	16.6	15.9	14.8
Dividend payout	36.8	36.5	33.6	32.3	34.2
Capital formation rate	9.7	9.7	11.6	10.9	10.0
Equity to year-end assets	6.14	6.06	6.00	5.89	5.86

COMMERCE UNION CORPORATION

Selected Financial Data
(Dollars in 000's, except per share)

	1981	1980	1979	1978	1977
Net interest revenue	$ 61,349	$ 60,305	$ 56,704	$ 56,088	$ 53,115
Provision for loan losses	9,337	12,620	7,994	11,216	14,304
Income before securities transactions	7,833	8,074	7,787	7,506	7,089
Net income	7,339	8,081	7,681	7,301	7,365
Per common share:					
Income before securities transactions	$ 1.76	$ 1.82	$ 1.75	$ 1.87	$ 1.80
Net income	1.63	1.82	1.72	1.82	1.88
Cash dividends declared	.80	.80	.80	.80	.80
Average subordinated and other long-term debt	$ 48,455	$ 42,847	$ 38,478	$ 37,408	$ 37,144
Average preferred stockholders' equity	11,000	11,000	11,000	2,019	-
Average common stockholders' equity	95,370	91,386	87,323	83,436	80,144
Average assets	2,116,541	2,022,711	1,872,797	1,736,362	1,617,417

SOUTHTRUST CORPORATION

Selected Financial Data

	1981	% Change	1980	% Change	1979	% Change	1978	% Change	1977
Results of Operations (In Thousands, except per share data)									
Interest income	$226,782	20.5%	$188,159	9.3%	$172,163	21.0%	$142,281	35.7%	$104,813
Taxable equivalent adjustment	17,613	.7	17,491	20.1	14,567	28.2	11,362	22.1	9,304
Interest income, taxable equivalent basis	244,395	18.8	205,650	10.1	186,730	21.5	153,643	34.6	114,117
Interest expense	161,819	30.9	123,616	15.0	107,482	34.8	79,756	57.1	50,765
Net interest income, taxable equivalent basis	82,576	.7	82,034	3.5	79,248	7.3	73,887	16.6	63,352
Provision for loan losses	6,573	-38.6	10,709	-11.8	12,146	96.5	6,181	36.1	4,542
Net interest income, after provision for loan losses, taxable equivalent basis	76,003	6.6	71,325	6.3	67,102	-.2	67,706	15.1	58,810
Non-interest income	28,058	20.6	23,263	17.3	19,838	19.3	16,631	15.9	14,344
Non-interest expense	66,643	11.8	59,593	5.4	56,540	10.9	51,000	14.9	44,394
Income before income taxes, taxable equivalent basis	37,418	6.9	34,995	15.1	30,400	-8.8	33,337	15.9	28,760
Applicable income taxes	(206)	75.4	(849)	-22.9	(691)	-	4,471	1.9	4,387
Taxable equivalent adjustment	17,613	.7	17,491	20.1	14,567	28.2	11,362	22.1	9,304
Income before securities transactions	20,011	9.0	18,353	11.1	16,524	-5.6	17,504	16.2	15,069
Net securities gains (losses)	(407)	-	152	-	(299)	-	(447)	-	(69)
Net income	$ 19,604	5.9	$ 18,505	14.1	$ 16,225	-4.9	$ 17,057	13.7	$ 15,000
Per share data:									
Income before securities transaction	$ 2.74		$ 2.51		$ 2.26		$ 2.40		$ 2.07
Net income	2.68		2.53		2.22		2.34		2.06
Dividends declared	1.00		.94		.92		.84		.7575
Financial Position: (average balances in millions)									
Assets	$1,927.6		$1,823.4		$1,837.8		$1,728.8		$1,427.9
Loans	990.6		1,028.1		1,127.8		1,097.0		880.8
Deposits	1,431.4		1,378.6		1,424.5		1,350.4		1,136.5
Federal funds purchased and other short-term borrowed funds	278.1		233.0		202.1		185.3		143.3
Long-term debt	47.9		49.8		50.0		50.0		30.1
Stockholders' equity	126.9		115.2		106.2		94.1		84.5

FIRST NATIONAL BANCORP OF ALLENTOWN, INC.

Five Year Selected Financial Data

	Year Ended December 31				
	1981	1980	1979	1978	1977
	(Dollars in Thousands, Except Per Share Amounts)				
INTEREST INCOME	$ 106,666	$ 87,180	$ 72,240	$ 57,694	$ 45,956
INTEREST EXPENSE	77,722	58,616	46,834	35,777	27,577
NET INTEREST INCOME	28,944	28,564	25,406	21,917	18,379
Provision for Loan Losses	1,920	2,100	2,100	1,900	1,055
Net Interest Income After Provision for Loan Losses	27,024	26,464	23,306	20,017	17,324
Other Operating Income	4,111	3,185	2,860	2,327	1,987
Other Operating Expenses	26,943	23,806	21,081	18,348	15,556
Income Before Income Taxes and Securities Gains	4,192	5,843	5,085	3,996	3,755
Credit for Federal Income Taxes	(955)	(1,067)	(978)	(1,305)	(1,060)
INCOME BEFORE SECURITIES GAINS	5,147	6,910	6,063	5,301	4,815
Net Securities gains after Allocated Income Taxes	851	627	29	7	21
NET INCOME	$ 5,998	$ 7,537	$ 6,092	$ 5,308	$ 4,836
PER COMMON SHARE:					
Income Before Securities Gains	$ 2.47	$ 3.39	$ 3.22	$ 3.01	$ 2.74
Net Income	$ 2.88	$ 3.69	$ 3.24	$ 3.02	$ 2.75
Cash Dividends Paid	$ 1.52	$ 1.32	$ 1.20	$ 1.05	$ 1.00
AVERAGE SHARES OUTSTANDING	2,079,782	2,040,137	1,882,737	1,758,556	1,758,556

	At December 31 (Dollars in Thousands)				
Loans, Net	$ 611,087	$ 608,918	$ 598,002	$ 536,944	$ 418,900
Total Assets	979,876	961,821	898,258	814,162	699,380
Deposits	842,342	802,850	768,615	710,791	647,074
Total Liabilities (Excluding Subordinated Notes and Debentures	906,377	891,822	833,697	758,330	654,775
Subordinated Notes and Debentures	11,475	11,475	11,475	11,475	4,000
Total Equity Capital	62,024	58,524	53,086	44,357	40,605

	Average Balances (Dollars in Thousands)				
Loans, Net	$ 610,826	$ 597,738	$ 571,136	$ 464,803	$ 384,120
Total Assets	981,716	914,770	849,585	763,814	647,472
Deposits	811,605	774,313	729,831	672,799	592,913
Total Liabilities (Excluding Subordinated Notes and Debentures	909,963	848,024	789,812	710,452	604,195
Subordinated Notes and Debentures	11,475	11,475	11,475	11,018	2,369
Total Equity Capital	60,278	55,271	48,298	42,344	40,908

CHAPTER 6

Financial Reporting and Changing Prices

Summary

FASB Statement No. 33 "Financial Reporting and Changing Prices" contains standards for reporting the effects of "general inflation" and changes in the prices of certain types of assets. General inflation is described as a rise in the general level of prices or a decline in the general purchasing power of the dollar. According to the FASB, users of financial statements need information about measurements that are made in units having the same general purchasing power because conventional financial statements make no direct allowance for the variability of the monetary unit of measure. Thus, the Statement requires supplementary disclosure of certain items both on a constant dollar and current cost basis.

In 1981, all but two of the surveyed companies with more than $1 billion in assets or $125 million in gross properties presented the supplemental information in their annual reports. In addition, three of the surveyed companies, with less than $1 billion in assets, and $125 million in gross properties, voluntarily included the supplemental information.

The current cost amounts of property, plant, and equipment are relatively small for banks, and current cost adjustments to depreciation are usually not material. Companies that did not disclose current cost data generally stated that the data would not differ materially from the presentation of constant dollar information.

Many of the surveyed companies stated reservations about the usefulness of the data in analyzing financial institutions and indicated that the FASB should reconsider the disclosures required by Statement No. 33.

Table 19. Location of Inflation Accounting Disclosures

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports that include disclosure in:				
Unaudited footnote	32%	44%	23%	21%
Management's discussion	26	30	51	57
Other report text	42	26	26	22
	100%	100%	100%	100%
Number of reports including inflation disclosures	19	27	185	161

Table 20 indicates the percentage of surveyed companies that disclosed the current year effect of constant dollar depreciation on income from continuing operations and the format used by reporting companies to present the information. The table is based only on companies disclosing inflation accounting information. Companies that did not make current year disclosures presumably did not have a material constant dollar depreciation adjustment and normally would state this fact in an explanatory footnote.

Table 20. Current Year Constant Dollar Data

	Commercial Banks		Holding Companies	
	81	80	81	80
Companies that reported current year constant dollar data in:				
Statement format	6%	15%	5%	11%
Reconciliation format	18	37	18	36
Only in five year summary	76	33	73	48
Other			1	2
	100	85	97	97
No current year disclosures made		15	3	3
	100%	100%	100%	100%

Reporting companies are required to disclose their purchasing power gain or loss on net monetary items but shall not include it in the determination of income from continuing operations. Purchasing power gain or loss has been disclosed with current year data, reported in the five-year summary, and included in the narrative discussion. Table 21 shows how the surveyed companies presented this information.

Table 21. Purchasing Power Gain or Loss

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports disclosing purchasing power gain or loss in:				
Current year data	19%	18%	9%	10%
Five-year summary	69	67	77	69
Both current year and five year summary	12	11	13	19
Narrative		4	1	2
	100%	100%	100%	100%

Table 22 shows how reporting companies presented net revenues in their five-year summary.

Table 22. Five-Year Summary—Presentation of "Net Revenues"

	Commercial Banks		Holding Companies	
	81	80	81	80
Reporting companies that presented net revenues as:				
Interest income	6%	7%	2%	4%
Interest income and other income	18	19	6	9
Net interest income before provision for loan losses	6		18	4
Net interest income after provision for loan losses	23	15	16	21
Net interest income	35	48	50	57
Net interest income and other income	12	11	8	5
	100%	100%	100%	100%

The current year constant dollar information and the five-year summary, requires interpretation of the caption "income from continuing operations." Table 23 indicates the various captions used by the reporting companies.

Table 23. Five-Year Summary—Income From Continuing Operations

	Commercial Banks		Holding Companies	
	81	80	81	80
Reports in which the caption used was:				
Net income	24%	44%	30%	34%
Income before securities gains (losses)	18	7	10	9
Both net income and income before securities gains (losses)	41	30	54	48
Other	6	19	2	9
	89	100	96	100
Reporting companies that presented net interest income only	11		4	
	100%	100%	100%	100%

We suggest in our inflation accounting publications, that, although not required by the Statement, it would be beneficial to financial statement users if comparative historical cost information were presented for the items included in the five-year summary. The examples of the five-year summary illustrate the extent of information presented, terminology used, and presentation of comparative historical cost data.

EXAMPLES FASB Statement No. 33 disclosures in unaudited footnote

WILMINGTON TRUST COMPANY

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices.

(in thousands, except per share)	For the Year Ended December 31 1981	1980	1979	1978	1977
Net interest income after provision for loan losses:					
As reported	$37,805	$35,818	$ 25,071	$31,633	$30,182
Adjusted for general inflation	$37,805	$39,533	$ 31,414	$44,098	$45,298
Income from continuing operations:					
As reported	$10,579	$10,288	$ 3,474		
Adjustment to restate depreciation and amortization for the effect of general inflation	$(1,377)	$(1,610)	$ (1,922)		
Adjusted for general inflation	$ 9,202	$ 8,678	$ 1,552		
Earnings per share:					
As reported	$ 5.29	$ 5.14	$ 1.74		
Adjusted for general inflation	$ 4.60	$ 4.34	$ .78		
Purchasing power loss from holding net monetary assets during the year	$ 5,684	$ 7,305	$ 7,670		
Stockholder's equity at year end:					
As reported	$88,051	$83,072	$ 78,384		
Adjusted for general inflation	$95,037	$98,865	$101,980		
Cash dividends declared per common share:					
As reported	$ 2.80	$ 2.80	$ 2.80	$ 3.20	$ 3.20
Adjusted for general inflation	$ 2.80	$ 3.09	$ 3.51	$ 4.46	$ 4.80
Market price per common share at year end:					
Historical amount	$ 26.00	$ 24.00	$ 28.00	$ 33.00	$ 42.00
Adjusted for general inflation	$ 26.00	$ 26.05	$ 34.10	$ 45.62	$ 63.30
Average consumer price index	272.4	246.8	217.4	195.4	181.5

In preparing the information to be presented in this footnote the Company has determined that the effect of specific price changes is not materially different from the effect of general price level changes. Therefore, no specific price adjustments to this information are necessary. As required by Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," the Company must provide supplemental information concerning the effect of a rise in the general price level on the exchange value or purchasing power of the dollar (called "general infation"). Because there is presently no consensus on which aspect of inflation (if any) should be reported, the FASB has devised an experiment requiring general inflation and specific price change measurements.

A bank's asset and liability structure is substantially different from that of an industrial company, in that virtually all assets and liabilities of a bank are monetary in nature. Accordingly, changes in interest rates may have a significant impact on a bank's performance. Interest rates do not necessarily move in the same direction, or in the same magnitude, as the prices of other goods and services. Reference to the various supplementary schedules shown elsewhere in this Annual Report will assist in the understanidng of how well the bank is positioned to react to changing interest rates and inflationary trends. In particular, we direct attention to the summary of net interest income, the maturity distributions and compositions of the loan and investment portfolios.

The calculation of the purchasing power loss on net monetary assets is based upon a theoretical concept. Under this concept, all monetary assets increase or decrease in value at the rate of the Consumer Price Index (CPI). Because a bank's monetary assets are greater than monetary liabilities, an increase in CPI would always result in a decline in the purchasing power of net assets. The only items excluded from net monetary assets were bank premises and equipment. However, because there is no clear evidence that there is a relationship between the purchasing power of a bank's net assets and future earnings, the purchasing power loss on net monetary assets may not be reflective of the effect of inflationary trends on the bank's operations.

The supplemental information presents the effects of general inflation on bank premises and equipment and related depreciation expense and the effect of general inflation on monetary assets and liabilities. All comparative amounts included in the five-year supplemental information are stated in average 1981 dollars. The provision for income taxes included in the supplemental information is the same as reported in the primary financial statements.

BANCORP HAWAII, INC.

Supplemental Information on Effects of Changing Prices (Unaudited)

Basis of Preparation of the 1981 Supplemental Data

As required by Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices," Bancorp must provide supplemental information concerning the effects of changing prices on its financial statements. The disclosures are intended to address two different aspects of an inflationary environment: (1) the effect of a rise in the general price level on the exchange value or purchasing power of the dollar (called "general inflation") and (2) the specific price changes in the individual resources used by Bancorp.

Bancorp's asset and liability structure is substantially different from that of an industrial company, in that virtually all assets and liabilities are monetary in nature. Accordingly, changes in interest rates have a significant impact on performance. Interest rates do not necessarily move in the same direction, or in the same magnitude, as the price of other goods and services. Reference to the various supplementary schedules shown elsewhere in this Annual Report will assist in the understanding of how well Bancorp is positioned to react to changing interest rates and inflationary trends. In particular, we direct attention to the schedule of Consolidated Average Balances, Income and Expense Summary, and Yields and Rates-Taxable Equivalent.

Income Taxes

The provision for income taxes included in the supplemental statement of income from continuing operations is the same as reported in the primary financial statements.

Loss From Decline in Purchasing Power of Net Monetary Assets

Calculation of the purchasing power loss on net monetary items is based upon a theoretical concept.

Under this concept, all monetary assets increase or decrease in value at the rate of the Consumer Price Index (CPI). Because Bancorp's monetary assets are greater than monetary liabilities, an increase in CPI would always result in a decline in the purchasing power of net assets. However, because there is no clear evidence that there is a relationship between the purchasing power of Bancorp's net assets and future earnings streams, the purchasing power loss on net monetary items may not be reflective of the effect of inflationary trends on its operations.

Increase in Current Cost of Premises and Equipment

Under current cost accounting, increases in specific prices (current cost) of premises and equipment held during the year are not included in income from continuing operations but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of premises and equipment.

Current Cost Measurements

The current costs of premises and equipment were determined by current appraisals and the Department of Labor-Producer Prices Indexes. The current cost of premises and equipment relates to the assets owned rather than technologically superior assets which may be available. Current cost depreciation is based on the average current cost of premises and equipment during the year. The depreciation method (primarily straight-line) and useful lives are the same as those used in the primary financial statements.

Current cost calculations involve a substantial number of judgments and the use of various estimating techniques. Consequently, the data reported is subjective and should not be thought of as precise measurements of the assets and expenses involved. Additionally, current cost does not purport to represent the amount at which the assets could be sold.

Supplemental Financial Schedules

The following supplemental information schedules present a statement of income from continuing operations for the year ended December 31, 1981, and a five-year comparison of selected financial data, adjusted for the effects of changing prices.

Year Ended December 31, 1981
(in thousands of dollars)

Income From Continuing Operations, as reported in the income statement	$ 25,879
Adjustment to restate depreciation for the effect of general inflation	(2,104)
Income From Continuing Operations, adjusted for general inflation	23,775
Adjustment to restate depreciation to reflect the difference between general inflation and changes in specific prices (current costs)	(977)
Income From Continuing Operations, adjusted for changes in specific prices	$ 22,798
Other Information	
Purchasing power loss from holding net monetary assets during the year	$ 6,805
Increase in specific prices (current costs) of premises and equipment held during the year*	$ 19,869
Less effect of increase in general price level	(14,167)
Excess of increase in specific prices over increase in general price level	$ 5,702

*At December 31, 1981, the current cost of premises and equipment, net of accumulated depreciation, was $147,870,000 (historical amount--$63,128,000).

Five-Year Summary of Selected Supplemental Financial Data
(Unaudited)

Adjusted for Effects of Changing Pricese in Average 1981 Dollars (except "As Reported" amounts)
(in thousands of dollars except per share amounts)

	1981	1980	1979	1978	1977
Net interest income after provision for possible losses					
As reported	$ 97,130	$ 87,126	$ 77,596	$ 63,724	$ 50,836
Adjusted for general inflation	97,130	97,095	97,334	88,933	76,381
Income from continuing operations					
As reported	25,879	25,076	20,620	16,325	12,722
Adjusted for general inflation	23,775	25,717	23,949	20,732	17,408
Adjusted for specific price changes	22,798	23,876	21,953	19,192	16,005
Primary earnings per common share					
As reported	3.29	3.35	2.84	2.25	1.76
Adjusted for general inflation	3.01	3.44	3.29	2.86	2.40
Adjusted for specific price changes	2.88	3.19	3.02	2.64	2.21
Excess of increase in specific prices of premises and equipment over increase in general price level	5,702	5,166	125	6,235	6,500
Purchasing power loss from holding net monetary assets during the year	6,805	5,636	5,993	3,270	2,030
Net assets at year-end					
As reported	159,793	141,646	108,465	93,784	83,150
Adjusted for general inflation	198,487	187,528	163,101	155,277	146,293
Adjusted for specific price changes	241,280	219,987	192,662	186,441	173,838
Per common share data					
Dividends declared					
As reported	1.06	.96	.88	.80	.80
Adjusted for general inflation	1.06	1.07	1.09	1.11	1.19
Market price at year-end					
As reported	18.63	16.38	16.50	12.38	13.13
Adjusted for general inflation	17.86	17.60	20.69	16.64	19.23
Average consumer price index	272.7%	244.7%	217.4%	195.4%	181.5%

EXAMPLES FASB Statement No. 33 disclosures in management's discussion

CONTINENTAL ILLINOIS CORPORATION

Supplemental Information on the Effects of Inflation

The influence of inflation on business results and financial statements has become a subject of increasing interest as inflation itself has increased. The financial information throughout this Report has been prepared on the traditional historical-cost basis, in keeping with generally accepted accounting principles, and thus does not attempt to reflect changes in the purchasing power of the dollar over the years.

Inflation-adjusted accounting is still an experimental approach, and how it relates to banking industry performance is still in question, but the following supplemental discussion may help provide some insight on inflation's effects on business enterprise, based on two different methods of illustration.

The first is Constant Dollar Accounting, which measures the effects of "general inflation" by applying a uniform index, the average Consumer Price Index (CPI), to corporate financial statements. Under this method, assets and the related depreciation expense are indexed based upon acquisition dates, and their amounts are restated in terms of the purchasing power of 1981 dollars. This method assumes that the CPI is a representative index of the overall level of inflation in the economy. Since this index is consumer oriented, however (i.e., composed of the prices of food, clothing, housing, and so forth), it is not directly applicable to a corporation's financial statements.

The second method, Current Cost Accounting, adjusts financial statements to reflect the changes in "specific prices" of assets. With the exception of internally developed data applicable to computer equipment, all specific changes are measured using various indexes developed by the U.S. Departments of Commerce and Labor. Since this method allows a different index to be used to adjust buildings than the index used to adjust office equipment, the valuation of assets under the current cost approach provides a finer estimate than under the constant dollar approach.

Depreciation Adjustment

During periods of inflation, the value of capital assets generally will rise. However, under historical-cost financial statements, depreciation currently charged to operations reflects an allocation of the acquisition cost, not the anticipated cost of replacing those assets at future inflated prices. To provide a more realistic presentation of income and cash-flow requirements, one aspect of inflation-adjusted statements entails restating reported results to give effect to changing prices of assets.

Depreciation expense for 1981 was $35 million as recorded in the primary financial statements. As shown below, depreciation under the constant dollar and current cost bases has been increased by $12 million and $8 million, respectively. Since there is no tax benefit for the ultimate increased cost of replacing a corporation's capital assets, these adjustments are carried through to net income without any change in income taxes. Absorbing this increased cost through after-tax earnings results in an effective tax rate of 33.2 percent under constant dollar and 32.9 percent under current cost, compared with the reported 1981 rate of 32.3 percent.

Net Monetary Loss

One final result of inflation is the purchasing power loss derived from the holding of assets fixed in their currency value (monetary assets). Theoretically, the "value" of monetary assets declines with inflation, while that of other assets does not. Considerable controversy still exists about the application of this concept, particularly for banks, since much of the theory pertains to industrial firms. Being a net holder of monetary assets does not adversely affect the Corporation or the banking industry. Continental generates earnings and pays dividends by making loans, which are, of course, monetary assets. Holding monetary assets in the form of cash is essential to the banking industry's operation. For the Corporation, the loss from holding net monetary assets was $95 million for 1981. The calculation of the loss ignores the fact that the majority of the Corporation's loans are issued with floating interest rates, which serve as a partial hedge against a purchasing power decline.

A better measure of a bank's ability to deal with inflationary trends encompasses a review of the maintenance of its net interest margins, the rate sensitivity and maturity of its portfolio, and its funding strategy in anticipation of rate changes. Management believes that referencing these topics covered in the historical-cost analysis will provide further insight on the subject.

Three-Year Analysis

The following table presents a comparison of selected financial data for the past three years adjusted for inflation according to the two methods discussed previously.

Prior years' data have been indexed forward by the CPI to state these amounts in terms of the purchasing power of 1981 dollars. This procedure eliminates the effect of inflation and allows comparison with prior years' data to reflect real growth or decline during the period.

In addition, depreciation expense has been adjusted to reflect the changing value of physical assets, as measured by general and specific price indexes. These depreciation adjustments, along with the decline in the value of net monetary assets and the increase in the value of property and equipment, are reflected in the table's net asset figures.

The table indicates that the Corporation's net income in 1981 increased over the net income in 1979 and 1980 under both current cost and constant dollar methods.

(continued)

	Average 1981 Dollars					
	Adjusted for changes in specific prices (current cost)			Adjusted for changes in general inflation (constant dollar)		
($ in millions, except per-share data)	1981	1980	1979	1981	1980	1979
Net interest and other operating income	$ 1,008	$ 969	$ 892	$1,008	$ 969	$ 892
Depreciation and amortization expense	43	42	37	47	45	42
Other operating expense	588	582	549	588	582	549
Total other operating expense	631	624	586	635	627	591
Income before income taxes and security gains or losses	377	345	306	373	342	301
Applicable income taxes	124	106	66	124	106	66
Income before security gains or losses	253	239	240	249	236	235
Net gains or (losses) on security transactions after related income taxes	(6)	2	2	(6)	2	2
Net income	$ 247	$ 241	$ 242	$ 243	$ 238	$ 237
Per-Share Data						
Income before security gains or losses	$ 6.38	$ 6.10	$ 6.10	$ 6.29	$ 6.02	$ 5.98
Net income	6.24	6.15	6.15	6.14	6.07	6.03
Loss on holding net monetary assets	$ 95	$ 127	$ 139	$ 95	$ 127	$ 139
Net assets (stockholders' equity) at year-end	$ 1,790	$ 1,741	$ 1,715	$1,780	$1,723	$1,706
Increase in specific values of properties and equipment held during the year	$29,585	$62,713	$ 21,436			
Effect of increase in general price level	34,513	44,767	44,923			
Effect of increase in specific prices at a rate over (below) increase in the general price level	$(4,928)	$17,946	$(23,487)			

Notes:

1. At December 31, 1981, the current cost amount of property and equipment was $432,663,000.
2. Inflation-adjusted depreciation has been calculated based upon the same methods and estimated useful lives used in historical-cost financial statements.

Five-Year Analysis

To gain further perspective, an extended five-year analysis of selected financial data is presented. The upward trend in net interest and other operating income indicates growth at a rate greater than the general inflation rate in each of the last five years. The table also shows that by periodically increasing dividends, the Corporation has allowed the stockholders to keep pace with inflation.

($ in millions, except per-share data)	1981	1980	1979	1978	1977
Net interest income after provision for credit losses	$ 686	$ 700	$ 632	$ 620	$ 581
Other operating income	322	269	260	232	209
Net interest and other operating income	$1,008	$ 969	$ 892	$ 852	$ 790
Per-Share Data					
Cash dividends declared	$ 1.90	$ 1.87	$ 1.90	$ 1.92	$ 1.89
Market price at year-end	32-1/16	32-15/16	34-3/8	35-1/16	39-11/16
Average Consumer Price Index (1967=100)	272.4	246.8	217.4	195.4	181.5

EXAMPLES Current year constant dollar data in statement format

SUBURBAN BANCORP

Supplemental Information on the Effects of Changing Prices (Unaudited)

Statement of Income from Continuing Operations

Adjusted for Changing Prices	Year Ended December 31, 1981 As Reported in the Primary Statements	 Adjusted for General Inflation
	(in thousands)	
Net interest income, after provision for credit losses	$ 65,965	$ 65,965
Other income	14,369	14,369
Depreciation expense	(2,942)	(4,391)
Other expense	(55,047)	(55,047)
Income before income taxes and net securities losses	22,345	20,896
Income taxes	4,209	4,209
Income before net securities losses	18,136	16,687
Net securities losses net of applicable income taxes of $478	483	483
Net income	$ 17,653	$ 16,204
Other Information:		
Purchasing power loss from holdling ~~net~~ monetary assets during the year		$ 7,249

BANC ONE CORPORATION

Consolidated Statement of Income Adjusted for Changing Prices for the year ended December 31, 1981

$(thousands, except per share amounts):

	As Reported in the Primary Statements	Adjusted for General Inflation (in average 1981 dollars)
Operating revenues	$414,525	$414,525
Operating expenses	368,341	368,341
Depreciation	6,183	9,473
	374,524	377,814
Income before federal income taxes and loss on sale of securities	40,001	36,711
Provision for income taxes	970	970
Income before securities losses	39,031	35,741
Securities losses, net of federal income taxes	(448)	(448)
Net income	$ 38,583	$ 35,293
Per share data:		
Income before securities losses	$ 5.01	$ 4.59
Securities losses	(.06)	(.06)
Net income	$ 4.95	$ 4.53
Other information:		
Loss from decline in purchasing power of net monetary assets held		$ 9,404

EXAMPLES Current year constant dollar data in reconciliation format

CENTRAL BANCSHARES OF THE SOUTH, INC.

Consolidated Earnings Adjusted for Effects of Changing Prices
(in Thousands Except Per Share Data)

	Years ended December 31, 1981	1980
Historical earnings before securities gains (losses)	$11,747	17,053
Adjustment to restate costs for the effects of general inflation:		
Depreciation and amortization	(3,204)	(3,158)
Earnings before securities gains (losses) adjusted for general inflation	8,543	13,895
Historical securities gains (losses)	(4,497)	1,972
Net earnings adjusted for general inflation	$ 4,046	15,867
Primary earnings per share adjusted for general inflation:		
Earnings before securities gains (losses)	$ 1.28	$ 2.08
Net earnings	.60	2.37
Weighted average shares outstanding	6,689	6,691

Note: Computations of the supplementary information exclude any adjustments to incomne tax expense (benefits) included in the historical cost financial statements.

PITTSBURGH NATIONAL CORPORATION

The following table reconciles net income for 1981 as reported in the financial statements with income adjusted for inflation on a constant dollar basis.

Statement of Income Adjusted for Changing Prices
Year Ended December 31, 1981
(In thousands of average 1981 dollars)

Net income as reported	$57,397
Adjustment to restate depreciation expense	(2,908)
Net income adjusted for general inflation	$54,489

In computing the purchasing power gain or loss on net monetary assets as presented in the five-year comparison, the corporation has considered premises and equipment, trading account securities, certain interest bearing balances with banks, mortgages held for sale, and certain other assets as non-monetary. The interest bearing balances with banks and mortgages held for sale were treated as monetary assets in the 1980 and 1979 annual report disclosures. The effect of this change on the data reported in "net assets at year-end" is an increase of $4.9 million for 1981, decreases of $15.8 million for 1980 and $53.2 million for 1979, and a decrease in the "purchasing power loss on net monetary assets" of $20.7 million for 1981, $37.8 million for 1980 and $42.7 million for 1979. The aforementioned decrease in the purchasing power loss converted the losses previously reported into purchasing power gains for both 1980 and 1979.

PAN AMERICAN BANKS, INC.

Table 14--Selected Financial Data Adjusted for the Effects of Changing Prices
(in thousands except per share)

	1981	1980
Income before security transactions:		
As reported	$11,195	$10,093
Per share	2.41	2.20
Net income:		
As reported	8,872	9,288
Per share	1.91	2.02
Less adjustment of depreciation expense (1)	807	701
Income before security transactions:		
Adjusted for general inflation	10,388	9,392
Per share	2.24	2.04
Net income:		
Adjusted for general inflation	8,065	8,587
Per share	1.74	1.87
Net assets at year end:		
As reported	65,466	58,255
Adjusted for general inflation	79,180	79,924
Purchasing power loss on net monetary assets	1,952	3,690

(1) The increased depreciation expense results from increasing the value of property and equipment by changes in the consumer price index. Assumed lives and methods of depreciation are the same as in the basic financial statements. No adjustment has been made to the income tax provision in the basic financial statements.

(2) Because current cost amounts do not differ materially from historical cost/constant dollar amounts, current cost data has been omitted.

EXAMPLES Five-year summary disclosing constant dollar data only

CENTRAL BANCORPORATION, INC.

Adjusted for the Effects of Changing Prices*

(in Millions of Average 1981 Dollars Except Per Share Data)

	Years Ended December 31				
	1981	1980	1979	1978	1977
Net interest income	$ 73.5	$ 83.3	$ 93.8	$ 96.0	$ 83.0
Income before securities transactions	19.5	20.4	27.0	26.3	23.7
Cumulative effect of change to the flow-through method of accounting for investment tax credits	1.7	-	-	-	-
Net Income	20.1	19.5	26.0	26.3	23.7
Net Assets (at year end)	188.5	183.0	192.1	193.0	183.3
Purchasing power loss on net monetary items	11.6	12.2	13.6	9.2	9.6
Per Common Share					
Income before securities transactions	$ 3.73	$ 3.89	$ 5.15	$ 5.02	$ 4.52
Cumulative effect of change to the flow-through method of accounting for investment tax credits	.32	-	-	-	-
Net income	3.84	3.72	4.96	5.02	4.52
Cash dividends declared	1.95	2.10	2.16	2.00	1.83
Market price (at year end)	17.75	19.50	29.24	33.74	38.02
Average consumer price index (1967 = 100)	272.5	246.8	217.4	195.4	181.5

*The data presented is based upon a constant dollar method of accounting. As the effect of applying constant dollar accounting to depreciation and amortization of premises and equipment is immaterial, the constant dollar calculation for net interest income, income before securities transactions, net income, and all per share data assume all assets and liabilities are monetary. The excess value of constant dollar net non-monetary assets (primarily premises and equipment) over their historical net book value has been included in the determination of the constant dollar net assets at year end. All net non-monetary assets have been excluded from the calculation of purchasing power loss on net monetary items. All per common share information has been adjusted for stock dividends. Current cost information is not presented, as it would not differ materially from the constant dollar information shown.

BANCO POPULAR DE PUERTO RICO

Five Year Comparison of Selected Supplementary Financial Data
Adjusted for Effects of Changing Prices
(In thousands of average 1981 dollars)*

	For The Years Ended December 31				
	1981	1980	1979	1978	1977
Historical Cost Information Adjusted for General Inflation					
Net interest income	$135,895	$143,507	$138,660	$125,752	$90,551
Income before security gains (losses)	22,388	24,534	21,405	*	*
Net income	22,412	23,780	21,558	*	*
Net assets (at year-end)	167,633	159,111	160,309	*	*
Purchasing power loss on net monetary items	6,527	8,328	8,038	*	*
Per Common Share					
Income before security gains (losses)	4.97	5.45	4.76	*	*
Net income	4.98	5.28	4.80	*	*
Cash dividends declared	.90	1.18	1.17	1.13	1.47
Market price (at year-end)	15	16	18	19	16
Average Consumer Price Index	272.5	246.8	217.4	195.4	181.5

*Information not included for the years 1977-78 is not required by SFAS No. 33 and due to the significant computational efforts required it has not been presented.

DOMINION BANKSHARES CORPORATION

Historical Cost in Constant 1981 Average Dollars

	1981	1980	1979	1978	1977
Selected Statement of Income Data					
Interest income	$ 303.3	$ 261.0	$ 248.3	$ 222.6	$ 199.3
Noninterest income	27.2	22.8	21.7	18.8	16.8
Total operating income	330.5	283.8	270.0	241.4	216.1
Net interest income	94.1	98.2	112.0	109.7	98.6
Income before securities gains (losses)	20.6	22.9	26.0	25.4	22.8
Net income	19.7	20.7	24.5	24.6	22.6
Per Share Data					
Income before securities gains (losses)	2.37	2.68	3.08	3.01	2.71
Net income	2.27	2.42	2.90	2.91	2.68
Cash dividends	.96	1.05	1.09	1.01	.96
Market price at year-end	16.09	15.43	18.20	17.58	19.80
Selected Average Balance Sheet Data					
Total average assets	2,557.8	2,586.6	2,712.9	2,778.6	2,732.7
Net assets at year-end	162.4	161.3	165.3	167.9	165.1
Loss From Decline in Purchasing Power of Net Monetary Assets Held	8.4	11.3	11.8	7.6	5.0
Average Consumer Price Index (CPI)	272.4	246.8	217.4	195.4	181.5

Information with respect to data presented on current cost basis is not shown since it would not differ materially with the historical cost/constant dollar information shown above.

EXAMPLES: Five-year summary disclosing comparative historical cost and constant dollar data

FIRST HAWAIIAN, INC.

Figure 7: Selected Financial Data
(Unaudited)

	1981		1980		1979		1978		1977	
	Historical Cost	Adjusted for General Inflation	Historical Cost	Adjusted for General Inflation	Historical Cost	Adjusted for General Inflation	Historical Cost	Adjusteed for General Inflation	Historical Cost	Adjusted for General Inflation
	(in thousands, except per share and market price data)									
Net interest income	$ 76,724	$ 76,724	$ 76,621	$ 84,538	$ 68,124	$ 85,327	$ 58,009	$ 80,838	$ 47,925	$ 71,901
Other operating income	16,658	16,658	12,432	13,716	10,903	13,656	11,393	15,877	10,267	15,404
Operating expenses										
Provision for loan loss	2,924	2,924	4,393	4,847	2,259	2,829	1,770	2,467	2,289	3,434
Depreciation and amortization	3,087	5,490	2,897	5,503	2,660	5,143	2,114	4,786	2,152	5,018
Other	66,542	66,542	59,716	65,886	52,343	65,560	46,880	65,332	40,865	61,310
Income before income taxes and securities transactions	20,829	18,426	22,047	22,018	21,765	25,451	18,638	24,130	12,886	17,543
Income taxes	2,921	2,921	5,086	5,086	6,814	6,814	5,818	5,818	1,866	1,866
Income before securities transactions	$ 17,908	$ 15,505	$ 16,961	$ 16,932	$ 14,951	$ 18,637	$ 12,820	$ 18,312	$ 11,020	$ 15,677
Per share	$ 5.36	$ 4.64	$ 5.08	$ 5.07	$ 4.48	$ 5.58	$ 3.84	$ 5.48	$ 3.30	$ 4.69
Net income	$ 18,054	$ 15,651	$ 17,039	$ 17,018	$ 14,910	$ 18,586	$ 12,843	$ 18,344	$ 11,180	$ 15,917
Per share	$ 5.41	$ 4.69	$ 5.10	$ 5.10	$ 4.46	$ 5.57	$ 3.85	$ 5.49	$ 3.35	$ 4.77
Cash dividends	$ 7,832	$ 7,832	$ 7,282	$ 8,035	$ 6,253	$ 7,832	$ 5,772	$ 8,044	$ 5,020	$ 7,532
Per share	$ 2.35	$ 2.35	$ 2.18	$ 2.41	$ 1.87	$ 2.35	$ 1.73	$ 2.41	$ 1.50	$ 2.25
Market price at year-end	$ 30.25	$ 29.27	$ 25.45	$ 26.82	$ 23.64	$ 28.00	$ 23.86	$ 32.02	$ 21.14	$ 30.93
Average total assets	$1,928,000	$1,928,000	$1,731,000	$1,910,000	$1,515,000	$1,898,000	$1,346,000	$1,876,000	$1,189,000	$1,784,000
Total assets at year-end (3)	$2,147,129		$1,855,812		$1,696,598		$1,447,989		$1,267,919	
Net assets at year-end (3)	$ 50,293	$ 48,667	$ 48,138	$ 50,727	$ 48,032	$ 56,890	$ 37,866	$ 50,818	$ 30,960	$ 45,300
Long-term obligations	$ 63,009		$ 58,541		$ 27,682		$ 20,068		$ 19,728	
Purchasing power loss on net monetary assets		$ 4,215		$ 6,280		$ 6,662		$ 4,106		$ 2,849
Average consumer price index		272		247		217		195		182

Notes:

(1) Historical cost data is presented in the dollars in which transactions actually occurred.
(2) Data adjusted for general inflation, more commonly referred to as constant dollars data, represents dollars recorded in actual transactions at different times which have all been adjusted so as to represent the same purchasing power in average 1981 dollars.
(3) Net assets are exclusive of nonmonetary assets.
(4) Current cost amounts do not differ materially from data adjusted for general inflation, and, therefore, have not been included.
(5) All per share data have been adjusted to give retroactive effect to the 10% stock dividend described in Note 13 to the Consolidated Financial Statements.

FIFTH THIRD BANCORP
Supplementary Information on Changing Prices

Summary of Selected Financial Data
In Historical Cost Dollars ($000's)

	1981	1980	1979	1978	1977
Total Interest Income	$ 150,792	$ 111,045	$ 86,384	$ 67,147	$ 55,320
Net Interest Income	61,986	53,988	48,202	39,855	31,991
Income Before Securities Gains (Losses)	23,651	19,501	17,070	12,481	9,568
Net Income	23,242	18,998	15,501	12,042	9,543
Per Share:					
Income Before Securities Gains (Losses)	$ 10.20	$ 8.45	$ 7.41	$ 5.44	$ 4.15
Net income	10.02	8.23	6.73	5.25	4.14
Cash Dividends Declared	2.90	2.57 1/2	2.35	2.02 1/2	1.85
Market Price at Year End	50.25	42.50	42.00	34.40	29.00
Total Average Assets	$1,239,708	$1,075,216	$ 955,191	$ 892,897	$ 867,007
Net Assets at Year End	141,778	124,946	111,795	101,377	94,101

Summary of Selected Financial Data as
Adjusted for Effects of Changing Prices
In Average 1981 Dollars (a) ($000's)

	1981	1980	1979	1978	1977
Total Interest Income	$ 150,792	$ 122,563	$ 108,238	$ 93,609	$ 83,026
Net Interest Income	61,986	59,588	60,397	55,560	48,013
Income Before Securities Gains (Losses)	23,651	21,524	21,389	17,399	14,360
Net Income	23,242	20,969	19,423	16,787	14,322
Per Share:					
Income Before Securities Gains (Losses)	$ 10.20	$ 9.33	$ 9.28	$ 7.58	$ 6.23
Net Income	10.02	9.08	8.43	7.32	6.21
Cash Dividends Declared	2.90	2.84	2.94	2.82	2.78
Market Price at Year End	48.63	44.80	49.76	46.32	42.44
Total Average Assets	$1,239,708	$1,186,746	$1,196,845	$1,244,755	$1,301,227
Net Assets at Year End	137,195	131,716	132,462	136,102	137,738
Loss from Decline in General Purchasing Power of Net Monetary Assets Held	$ 11,353	$ 15,244	$ 16,692	$ 11,780	$ 9,017
Average Consumer Price Index (1967 = 100)	272.4	246.8	217.4	195.4	181.5

(a) data presented are based upon a historical cost/constant dollar method of accounting. As net nonmonetary assets are not material, all assets and liabilities are treated as monetary for the purpose of these calculations.

EXAMPLES Five-year summary disclosing current cost, constant dollar and historical cost data*

THIRD NATIONAL CORPORATION

Five year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices In Average 1981 Dollars (except as reported amounts)

	For the Year Ended December 31				
	1981	1980	1979	1978	1977
	(Dollars in Thousands Except Per Share Data)				
Net interest income, after provision for loan losses:					
As reported	$ 64,559	$ 57,757	$ 52,921	$44,304	$38,403
Adjusted for general inflation(1)	64,559	63,748	66,309	61,763	57,636
Net income:					
As reported	15,701	13,111	10,977		
Adjusted for general inflation(1)	14,055	12,879	12,189		
Adjusted for specific price changes	14,176	13,102	12,603		
Per share data:					
As reported	4.53	3.81	3.19		
Adjusted for general inflation	4.06	3.74	3.54		
Adjusted for specific price changes	4.09	3.81	3.66		
Excess of increase in specific prices of properties over increase in the general price level	3,247	2,933	2,996		
Purchasing power loss from holding net monetary assets during the year	(8,615)	(6,822)	(6,187)		
Net assets at year-end:					
As reported	122,100	109,182	98,935		
Adjusted for general inflation	146,495	135,267	126,457		
Adjusted for specific price changes	149,742	138,200	129,453		
Cash dividends declared per common share:					
As reported	1.00	.83	.69	.69	.69
Adjusted for general inflation	1.00	.92	.86	.96	1.04
Market price per common share at year-end:					
Historical amount	21.35	15.45	14.13	14.62	15.83
Adjusted for general inflation	21.35	17.05	17.70	20.38	23.76
Average consumer price index	272.4	246.8	217.4	195.4	181.5

(1) Restatement of historical amounts to 1981 constant dollar amounts requires adding back the historical depreciation expense, multiplying the results by a factor using the 1981 Consumer Price Index (CPI) as the numerator and the average CPI in the year being restated as a denominator and then deducting the 1981 constant dollar depreciation expense.

APPENDIX I

Banks Included In The Survey

Following is a listing of the top 200 commercial banks and other banks selected for inclusion in our survey listed in deposit rank order as of December 31, 1981. An asterisk indicates banks in the top 200 whose annual reports were not available at the time of our survey or which were prepared in accordance with generally accepted accounting principles other than those used in the United States. These banks are not included in the statistical data presented elsewhere in this text.

Rank	Bank
1	Bank of America NT & SA, San Francisco
2	Citibank, N.A., New York
3	Chase Manhattan Bank, N.A., New York
4	Manufacturers Hanover Trust Company, New York
5	Morgan Guaranty Trust Company of New York
6	Chemical Bank, New York
7	Continental Illinois National Bank and Trust Company of Chicago
8	First National Bank of Chicago
9	Security Pacific National Bank, Los Angeles
10	Bankers Trust Company, New York
11	Wells Fargo Bank, N.A., San Francisco
12	Crocker National Bank, San Francisco
13	First Interstate Bank of California, Los Angeles
14	Marine Midland Bank, N.A., Buffalo
15	Mellon Bank, N.A., Pittsburgh
16	Irving Trust Company, New York
17	First National Bank of Boston
18	Seattle-First National Bank
19	Bank of New York
20	First National Bank in Dallas
21	National Bank of Detroit
22	Republic National Bank of Dallas
23	First City National Bank of Houston
24	Texas Commerce Bank National Association, Houston
25	Republic National Bank of New York
26	North Carolina National Bank, Charlotte
27	Union Bank, Los Angeles
28	Valley National Bank of Arizona, Phoenix
29	Southeast First National Bank of Miami
30	National Bank of North America, New York
31	Harris Trust and Savings Bank, Chicago
32	Wachovia Bank and Trust Company, N.A., Winston-Salem
33	Pittsburgh National Bank
34	Philadelphia National Bank
35	Rainier National Bank, Seattle
36	Northern Trust Company, Chicago
37	BancOhio National Bank, Columbus
38	United States National Bank of Oregon, Portland
39	Detroit Bank & Trust Company
40	AmeriTrust Company, Cleveland
41	First Interstate Bank of Oregon, Portland
42	First Pennsylvania Bank, N.A., Philadelphia
43	California First Bank, San Francisco
44	Manufacturers National Bank of Detroit
45	First Union National Bank, Charlotte
46	First Interstate Bank of Arizona, Phoenix
47	Northwestern National Bank of Minneapolis
48	Citizens and Southern National Bank, Atlanta
49	Bank of Tokyo Trust Company, New York
50	First National Bank of Minneapolis
51	Maryland National Bank, Baltimore
52	European American Bank & Trust Company, New York
53	Riggs National Bank of Washington, D.C.
54	Girard Bank, Philadelphia
55	United Virginia Bank, Richmond
56	Industrial National Bank, Providence
57	Mercantile National Bank at Dallas
58	Fidelity Bank, Philadelphia

Rank	Bank
59	Lincoln First Bank, N.A., Rochester
60	New England Merchants National Bank, Boston
61	Virginia National Bank, Norfolk
62	Connecticut Bank and Trust Company, Hartford
63	Bank of California, N.A., San Francisco
64	Provident National Bank, Philadelphia
65	American Security Bank, N.A., Washington, D.C.
66	First Wisconsin National Bank of Milwaukee
67	Lloyds Bank California, Los Angeles
68	Huntington National Bank, Columbus
69	Centerre Bank of St. Louis
70	National City Bank, Cleveland
71	Bank of Hawaii, Honolulu
72	First National Bank of Atlanta
73	Mercantile Trust Company N.A., St. Louis
74	Hartford National Bank and Trust Company
75	Equibank, Pittsburgh
76*	Israel Discount Bank of New York
77	First National Bank of Maryland, Baltimore
78	Banco Popular de Puerto Rico, San Juan
79	American National Bank and Trust Company of Chicago
80	State Street Bank and Trust Company, Boston
81	First National Bank of Saint Paul
82	First National Bank and Trust Company of Oklahoma City
83	First & Merchants National Bank, Richmond
84*	Bank Leumi Trust Company of New York
85	American Fletcher National Bank, Indianapolis
86	Shawmut Bank of Boston, N.A.
87	Bank of Virginia Company, Richmond
88	First National Bank of Louisville
89	Indiana National Bank, Indianapolis
90	Midlantic National Bank, Newark
91	Arizona Bank, Phoenix
92	J. Henry Schroder Bank & Trust Company, New York
93	American Bank and Trust Co. of Pa., Reading
94	Sumitomo Bank of California, San Francisco

Rank	Bank
95	Central Bank of the South, Birmingham
96	Liberty National Bank and Trust Company of Oklahoma City
97	First Hawaiian Bank, Honolulu
98	Continental Bank, Norristown
99	First Security Bank of Utah, N.A., Salt Lake City
100	Bank of the Southwest National Association, Houston
101	Central National Bank, Cleveland
102	First Interstate Bank of Nevada, Reno
103	Atlantic National Bank of Jacksonville
104	Equitable Trust Company, Baltimore
105	United States Trust Company of New York
106	First National State Bank of New Jersey, Newark
107	Citibank (South Dakota) NA, Sioux Falls
108	Northwestern Bank, North Wilkesboro
109	United Bank of Denver, N.A.
110	Idaho First National Bank, Boise
111	Society National Bank, Cleveland
112	Hamilton Bank, Lancaster
113	Citizens Fidelity Bank & Trust Company, Louisville
114	Whitney National Bank of New Orleans
115	Zions First National Bank, Salt Lake City
116	Michigan National Bank of Detroit
117	Fort Worth National Bank
118	First Interstate Bank of Washington, Seattle
119	Manufacturers and Traders Trust Company, Buffalo
120	First National Bank of Birmingham
121	First Tennessee Bank N.A., Memphis
122	Fuji Bank and Trust Company, New York
123	Michigan National Bank, Lansing
124	Trust Company Bank, Atlanta
125	Allied Bank of Texas, Houston
126	First National Bank of Midland
127	Industrial Valley Bank and Trust Company, Philadelphia
128	United Jersey Bank, Hackensack
129	Old Stone Bank, Providence
130	First-Citizens Bank & Trust Company, Raleigh
131	South Carolina National Bank, Charleston

Rank	Bank
132	Peoples National Bank of Washington, Seattle
133	Deposit Guaranty National Bank, Jackson
134	First National Bank of Denver
135	City National Bank, Beverly Hills
136*	MITSUI Manufacturers Bank, Los Angeles
137	Merchants National Bank & Trust Company of Indianapolis
138	Suburban Trust Company, Hyattsville
139	Rhode Island Hospital Trust National Bank, Providence
140	Old Kent Bank and Trust Company, Grand Rapids
141	First American Bank of Nashville, N.A.
142	Bank of Oklahoma, N.A., Tulsa
143	Third National Bank in Nashville
144	Imperial Bank, Los Angeles
145	Barnett Bank of Jacksonville, N.A.
146	First National Bank of Fort Worth
147	Union National Bank of Pittsburgh
148	First Security Bank of Idaho, N.A., Boise
149*	Banco de Ponce, Ponce
150	Republic Bank Houston, N.A.
151	Wilmington Trust Company
152	First National Bank of Jackson
153	Industrial Bank of Japan Trust Company, New York
154	Union Trust Company of Maryland, Baltimore
155	First National Exchange Bank of Virginia, Roanoke
156	Bank One of Columbus, N.A.
157	Frost National Bank, San Antonio
158	Union Trust Company, Stamford
159	Commerce Union Bank, Nashville
160	Fidelity Union Trust Company, Newark
161	Old National Bank of Washington, Spokane
162	BayBank Middlesex, Burlington
163	Sun Bank, N.A., Orlando
164	First National Bank and Trust Company of Tulsa
165	New Jersey National Bank, Trenton
166	National Community Bank of New Jersey, Rutherford
167	Union Commerce Bank, Cleveland
168	Colonial Bank, Waterbury
169	LaSalle National Bank, Chicago
170	Branch Banking and Trust Company, Wilson
171	Bankers Trust of South Carolina, Columbia
172	Citizens and Southern National Bank of South Carolina, Charleston
173	Citibank (New York State), N.A., Buffalo
174	First International Bank in Houston, N.A.
175	Birmingham Trust National Bank
176	First National Bank of Cincinnati
177	Central Trust Company, N.A., Cincinnati
178	Key Bank N.A., Albany
179	First National Bank of Florida, Tampa
180	Commonwealth National Bank, Harrisburg
181	First Peoples Bank of New Jersey, Haddon Township
182*	Barclays Bank of New York
183	Union Planters National Bank of Memphis
184	Hibernia National Bank, New Orleans
185	Citizens Commercial & Savings Bank, Flint
186	Colorado National Bank of Denver
187	Winters National Bank and Trust Co., Dayton
188	Long Island Trust Company, Garden City
189	Fifth Third Bank, Cincinnati
190	First National Bank of Commerce, New Orleans
191	United Missouri Bank of Kansas City, N.A.
192	First National Bank of Allentown
193	New Jersey Bank, N.A., West Paterson
194	Albuquerque National Bank
195	First National Bank of South Carolina, Columbia
196	First National Bank of New Jersey, Totowa
197	First American Bank of Virginia, McLean
198	National Bank of Washington, D.C.
199*	California Canadian Bank, San Francisco
200	State National Bank of Connecticut, Stamford
202	Central Bank, Oakland
203	First National Bank of Akron

Rank	Bank
205	Bank of the South, N.A., Atlanta
206	National State Bank, Elizabeth
208	Hibernia Bank, San Francisco
210	Commerce Bank of Kansas City, N.A.
211	Puget Sound National Bank, Tacoma
213	National Bank of Commerce of San Antonio
214	M&I Marshall & Ilsley Bank, Milwaukee
215	First National Bank of Kansas City
216	First Jersey National Bank, Jersey City
217	Northeastern Bank of Pennsylvania, Scranton
219	Valley Bank of Nevada, Las Vegas
220	City National Bank of Detroit
221	Heritage Bank N.A., Cherry Hill
222	Austin National Bank
223	State Bank of Albany
224	Central Bank of Denver
226	Genesee Merchants Bank & Trust Co., Flint
227	First Eastern Bank N.A., Wilkes-Barre
228	Boatmen's National Bank of St. Louis
230	Fourth National Bank and Trust Company, Wichita
233	Louisiana National Bank, Baton Rouge
236	United Bank of Arizona, Phoenix
237	Omaha National Bank
238	Commercial National Bank in Shreveport
239	Oregon Bank, Portland
240	Toledo Trust Company
243	Central Penn National Bank, Philadelphia
245	Bank of Delaware, Wilmington
246	Security Bank and Trust Company, Southgate
247	First Virginia Bank, Falls Church
250	United Carolina Bank, Whiteville, N.C.
252	Worcester County National Bank, Worcester
253	Connecticut National Bank, Bridgeport
254	Flagship National Bank of Miami
257	Provident Bank, Cincinnati
258	Central Fidelity Bank, N.A., Lynchburg
259	Security Trust Company of Rochester
261	National Bank of Alaska, Anchorage
262	Marine National Exchange Bank of Milwaukee
264	Citytrust, Bridgeport
267	American National Bank and Trust Company, Chattanooga
270	Exchange Bank and Trust Company of Florida, Tampa
271	Arlington Trust Co., Lawrence, Mass.
275	Southeast National Bank of Pennsylvania, Malvern
283	Merchants National Bank of Allentown
285	American National Bank & Trust of New Jersey, Morristown
287	First Valley Bank, Bethlehem
288	Mercantile-Safe Deposit and Trust Company, Baltimore
292	United American Bank, Knoxville
296	Lincoln National Bank and Trust Company, Fort Wayne
297	First National Bank of Mobile
300	First National Bank and Trust Company of Michigan, Kalamazoo
306	Landmark First National Bank of Fort Lauderdale
309	State National Bank of El Paso
320	Worthen Bank & Trust Company, N.A., Little Rock
331	Gulfstream Bank, N.A., Boca Raton
335	Central National Bank in Chicago
338	First Alabama Bank of Montgomery, N.A.
345	Florida National Bank of Jacksonville
371	Community National Bank of Pontiac
384	Pan American Bank, N.A., Miami
405	Second National Bank of Saginaw
422	Merchants National Bank of Cedar Rapids
449	South Shore Bank, Quincy
520	Howard Bank, Burlington

APPENDIX II

Surveyed Companies

Following is an alphabetical listing of the commercial banks (or holding companies with commercial banks selected for the survey) whose 1981 annual reports to shareholders were included in this survey. Pages upon which excerpts from the company's annual reports may be found are indicated following the name.

Allied Bancshares, Inc. 8
American Bancorp, Inc.
American Fletcher Corporation 24
American National Bank and Trust Company of Chicago
American Security Corporation 23, 24, 51
AmeriTrust Corporation 128
AmSouth Bancorporation 90
Ancorp Bancshares, Inc.
Arizona Bank 27, 52, 95
ARLTRU Bancorporation 115
Atlantic Bancorporation
Austin Bancshares Corporation 116

BanCal Tri-State Corporation 81
BancOhio Corporation 27
BancOklahoma Corp. 119
Banc One Corporation 151
Banco Popular de Puerto Rico 153
Bancorp Hawaii, Inc. 146
Bank of Delaware
Bank of New York Company, Inc.
Bank of Tokyo Trust Company
Bank of Virginia Company 37
BankAmerica Corporation 22, 23, 101, 109
Bankers Trust New York Corporation 56
Bankers Trust of South Carolina
Banks of Iowa, Inc. 97
Bank South Corporation 29, 127
Barnett Banks of Florida, Inc.
BayBanks, Inc.
Boatmen's Bancshares, Inc.
Branch Corporation

California First Bank 27, 78
CBT Corporation 13
Centerre Bancorporation
Central Bancorporation, Inc. (Colorado)
Central Bancorporation, Inc. (Ohio) 153
Central Bancshares of the South, Inc. 152
Central Banking System, Inc. 23, 24
Central Fidelity Banks, Inc.
Central National Chicago Corporation 46, 97
Central Penn National Corp.
Centran Corporation 8, 46, 124
Chase Manhattan Corporation 86
Chemical New York Corporation 54, 74, 132
Citicorp 83, 104
Citizens and Southern Corporation 71
Citizens and Southern Georgia Corporation 44, 67
Citizens Commercial & Savings Bank
Citizens Fidelity Corporation 70
City National Corporation
Citytrust Bancorp, Inc.
Colonial Bancorp, Inc.
Colorado National Bankshares, Inc. 71, 94
Commerce Bancshares, Inc. 32, 102
Commerce Union Corporation 68, 139
Commercial National Bank in Shreveport 20
Commonwealth National Bank
Community National Bank of Pontiac
Connecticut National Bank
Continental Bank
Continental Illinois Corporation 106, 135, 148
Crocker National Corporation 97, 107
Cullen/Frost Bankers, Inc. 43

Deposit Guaranty Corp.
DETROITBANK Corporation 31
Dominion Bankshares Corporation 9, 138, 154

Equimark Corporation 19, 98
Equitable Bancorporation 105, 130
European American Bancorp 92
Exchange Bancorporation, Inc. 104

Fidelcor, Inc.

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Financial General Bankshares, Inc.
First Alabama Bancshares, Inc. 29, 65
First American Bank Corporation 14, 45
First American Corporation
First & Merchants Corporation 9
First Arkansas Bankstock Corporation 65
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First Bancgroup-Alabama, Inc. 86, 94
First Bank System, Inc. 45
First Bancorporation of Ohio
First Bancshares of Louisiana, Inc. 21
First Bankshares Corp. of S.C.
First Capital Corporation
First Chicago Corporation 19, 73, 126
First-Citizens Bank & Trust Company 100
First City Bancorporation of Texas, Inc.
First Commerce Corporation 15
First Eastern Bank, N.A. 65
First Empire State Corporation 95
First Florida Banks Inc.
First Hawaiian, Inc. 155
First Interstate Bancorp 76, 133
First Interstate Bank of California 34, 86
First Interstate Bank of Oregon, N.A. 28, 72
First Jersey National Corporation 18, 102
First Kentucky National Corporation 28
First Maryland Bancorp 21
First National Bancorp of Allentown, Inc. 141
First National Bancorporation, Inc. 22, 23, 105
First National Bank of Fort Worth
First National Bank of Midland 30
First National Bank of New Jersey 93
First National Boston Corporation
First National Charter Corporation 131
First National Cincinnati Corporation 99
First National State Bancorporation
First New Mexico Bankshare Corporation 94
First Oklahoma Bancorporation, Inc. 9, 10, 26
First Pennsylvania Corporation 45, 54
First Peoples Bank of New Jersey 26, 93
First Security Corporation 22
First Tennessee National Corporation 19, 101, 106
First Tulsa Bancorporation, Inc. 125
First Union Corporation 35, 52
First Valley Corporation 10, 27
First Virginia Banks, Inc. 65
First Wisconsin Corporation 28
Flagship Banks Inc. 87
Florida National Banks of Florida, Inc.
Fourth Financial Corporation 109
Fuji Bank & Trust Company

Girard Company
Greater Jersey Bancorp 69
Gulfstream Banks, Inc.

Harris Bankcorp, Inc. 72
Hartford National Corporation 85
Heritage Bancorporation
Hibernia Bancshares Corporation 25, 94, 102
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Horizon Bancorp
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Imperial Bancorp 43
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Industrial Bank of Japan Trust Company
Industrial National Corporation 9
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InterFirst Corporation
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Landmark Banking Corporation of Florida
LaSalle National Bank 70
Liberty National Corporation
Lincoln Financial Corporation 22
Lincoln First Banks Inc. 28
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Marine Corporation
Marine Midland Banks, Inc. 21, 73
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Merchants National Corporation 15, 47
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Midlantic Banks Inc. 36
Moore Financial Group, Incorporated
J.P. Morgan & Co. Incorporated 8
Multibank Financial Corp.

National Bancshares Corporation of Texas 30
National Bank of Alaska 65
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National Bank of Washington, D.C. 26
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National Community Bank of New Jersey 93
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Norstar Bancorp Inc. 88
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Northeastern Bancorp, Inc.
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Northwest Bancorporation 27
Northwestern Financial Corporation 11

Old Kent Financial Corporation 36
Old National Bancorporation 35
Old Stone Corporation 46, 58
Omaha National Corporation 31
Orbanco Financial Services Corporation

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Peoples Bancorporation 43, 92, 105
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Pittsburgh National Corporation 73, 152
Provident Bancorp, Inc. 65
Provident National Corporation 12, 96
Puget Sound Bancorp 95, 102, 110

Rainier Bancorporation 33, 95
Republic New York Corporation 86
Republic of Texas Corporation 18
Riggs National Corporation 73, 86

Schroders Incorporated 17, 72
Seafirst Corporation 27
Second National Corporation 29
Security Bancorp, Inc. 91, 94
Security New York State Corporation
Security Pacific Corporation
Shawmut Corporation 84, 101
Society Corporation 84
South Carolina National Corporation 13, 111
Southeast Banking Corporation
Southeast National Bancshares of Pennsylvania, Inc. 50
SouthTrust Corporation 140
Southwest Bancshares, Inc.
State National Bancorp, Inc. 91, 106
State Street Boston Corporation 94, 106
Suburban Bancorp 19, 100, 129, 151
Sumitomo Bank of California 92
Sun Banks of Florida, Inc. 16, 106

Texas American Bancshares Inc. 34, 103
Texas Commerce Bancshares, Inc. 90, 94
Third National Corporation 110, 157
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